



OUTSOURCING GUIDE FOR CONTRACTING

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OUTSOURCING: A CONTRACTING PRIORITY

Outsourcing is one of our top Operational Contracting priorities. Many programs are competing for scarce dollars and budgets are driving hard cost reduction decisions. As the AF leadership looks for ways to cut support costs to achieve modernization objectives, they are vigorously looking for outsourcing candidates which may be more economically performed by private sector contractors. Contracting plays a vital role in linking the private sector with the AF mission. You will be looked to for professional support in helping your commanders find money saving contracting solutions.

This Outsourcing Guide hits the mark in providing you some keys to success. It is timely and contains all you need to make you an outsourcing expert. As you step up to the challenges ahead, I urge you to be an energetic team member. Get involved early and take an active role in acquisition planning. While the requirements activity is out front developing the Performance Work Statement (PWS), it is critical to an effective acquisition and we need you to render sound business advice. The time you invest in the PWS and early planning activities will pay big dividends. Most importantly, look for ways to streamline, simplify, and expedite the acquisition processes. I'm confident you will enjoy success in your efforts to support the mission.

As a final note, I appreciate the very diligent efforts and superb support the staff at the Air Force Logistics Management Agency dedicated towards this project. As you use the guide, please give them feedback on how it works for you and how we can improve this guide.



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INTRODUCTION

BACKGROUND

The Air Force is facing tough competition for dwindling resources as the Department of Defense (DoD) continues to downsize. Reduced funds availability has created an environment in which creativity and innovation are necessary to effectively manage resources within the Air Force and DoD as a whole. As a result of the President's commission on the Roles and Missions of the Armed Forces, Deputy Secretary of Defense Dr John White directed all DoD components to make privatization and outsourcing a priority. The initiative is based on the Defense Science Board estimates that DoD can improve efficiency and save \$12-15 billion annually by outsourcing commercial activities. These savings can then be applied toward desperately needed force modernization.

Outsourcing is government reliance on the private sector to provide recurring services known as "commercial activities." It is not a goal, but rather a tool to use in managing resources and achieving efficiency and possibly cost savings. The Air Force Outsourcing and Privatization Program will be institutionalized by identifying these savings and applying them against force modernization programs in the POM process. Close examination of all functions and execution of associated processes is critical to achieving the goals of this program. Air Force policy is to outsource functions known as commercial activities (CA) only when it is deemed cost effective and results in no degradation of mission.

With the increased emphasis placed on outsourcing, the contracting community must be prepared to respond to the increased workload. Outsourcing in-house functions that perform recurring services falls under the Air Force Commercial Activities Program. This Air Force Program implements the Office of Management and Budget Circular (OMBC) A-76, Performance of commercial Activities. OMBC A-76 provides policy and procedures

for a Federal-level program under the Executive Branch of the Government that has been in place since the middle 1950s. The purpose of this Federal-level program is to attain national economic strength by relying on the private sector for goods and services. DoDD 4100.15, Commercial Activities Program, and DODI 4100.33, Commercial Activities Program Procedures, implement OMBC A-76 and any related statutes within DoD. AFI 38-203, Air Force Commercial Activities Program, and AFP 26-12, Guidelines for Implementing the Air Force Commercial Activities Program, implement OMB and DoD guidance as well as any related statutory requirements within the Air Force. These Air Force documents are to be used by Air Force personnel for compliance with the Air Force Commercial Activities Program. OMB's revised Supplemental Handbook to OMBC A-76 revises procedures, not policy, and will be implemented in the Air Force with a revision to AFI 38-203 and publication of AFMAN 38-209 (replaces AFP 26-12). No interpretations of OMB or DoD guidance are to be implemented without consultation with HQ USAF/PER.

This guide will assist operational contracting offices by identifying statutes, regulations, policies and procedures governing outsourcing and privatization. References and Points of Contact (POCs) are mentioned throughout this guide. A summary list and description of the summary list and POCs is provided at the end of the guide. Installations are to address questions or comments to their Headquarters level contracting or manpower POCs. If they cannot provide guidance, the MAJCOM POCs are to contact Headquarters USAF. Installations should not directly contact Headquarters USAF.

THE AIR FORCE COMMERCIAL ACTIVITIES PROGRAM

Overview

The Air Force Commercial Activities Program is a four-step program to ensure

functions that should not be outsourced are fenced, while ensuring functions that are subject to outsourcing are competed in accordance with Federal policies, procedures, and statutes.

- **Step One. Identify Functions.** HQ USAF/PER determines which functions are inherently governmental (cannot be contracted) and those functions that are CAs (can be contracted). All Air Force functions fall within one category or the other. This identification is maintained by Air Force functional account code (FAC) and DoD FAC.

- **Step Two. Inventory Functions.** Air Force MAJCOM/FOA/DRUs and Servicing Manpower Offices are accountable for maintaining a current CA inventory on the Manpower Data System (MDS). This information includes up-to-date contract manyear equivalent (CME) data as well as which CAs are in-house and why they are in-house.

- **Step Three. Review Functions.** Air Force MAJCOM/FOA/DRU and Servicing Manpower Offices conduct a review of all in-house CAs at least once every five years to determine the compelling reason for retaining a CA in-house without competition. When there is no compelling reason for in-house performance, the commander is to schedule the function for competition.

- **Step Four. Compete Functions.** When functions are scheduled for competition, this competition can be a public-private sector competition (known as a cost comparison) or limited to private sector competition (known as a direct conversion).

- **Cost Comparison Process Definition:** The process of competing an in-house commercial activity with the private sector. After a functional performance work statement is developed, two separate and independent processes evolve: (1) Contracting proceeds with soliciting private sector bids or proposals to select the contractor to compete with the in-house bid, and (2) Manpower and the functional OPR proceed with developing the MEO and in-house bid which is then independently reviewed by Financial Management. After a contractor bid/proposal is selected and the in-house cost estimate completed, a

cost comparison between the two is conducted and the most cost effective bid is selected. A review and appeal period ensures followed by transition to the appropriate method of operation determined by the final cost comparison decision. AFP 26-12 provides detailed procedures for this process.

- **Cost Comparison Definition:** A comparison of a private sector bid/proposal and the in-house bid. The in-house bid is based on an all-civilian workforce.

- **MEO definition:** An MEO is defined as the “most efficient and cost effective organization”. It is the organizational structure and minimum civilian resources that best meet the performance requirements of the performance work statement. This is frequently termed, the “lean & mean” level of organization. AFP 26-12 provides detailed procedures for MEO development, certification and review.

- **Cost Comparison Criteria:**

- By law, any CA with more than 10 civilians must be cost compared. The number of military has no bearing on the legal requirement to cost compare a CA. However, a CA with fewer than 11 civilians may be cost compared, if desired.

- By law, cost comparisons must be completed within a specific time frame. The official announcement date starts the clock and cost comparison stops the clock.

- Single function cost comparisons cannot take longer than two years.

- Multi-functions are limited to four years.

- **Statutory Exemption:** a cost comparison does not have to be performed if contracting can obtain a fair and reasonable price from a qualified nonprofit agency serving people who are blind or severely disabled or to a firm with 51% Native American ownership. The fair and reasonable price is to be compared to an estimated “MEO”

- Federal Policy determines that overseas locations may, but are not

required to, perform cost comparisons. (territories, possessions, and the District of Columbia) are not considered oversea locations; therefore, cost comparisons requirements do apply.)

- Federal policy states that a cost comparison can be performed on a contracted CA if the contract price becomes unreasonable or performance unsatisfactory.
 - In this case the contract is resolicited and the Air Force submits a bid/proposal based on a civilian workforce to compete with the contract proposals/offers for possible conversion to in-house performance.
- Direct Conversion Definition: The conversion of an Air Force CA from in-house to contract performance without performing a cost comparison.
- Direct Conversion Criteria:
 - A CA staffed exclusively by military personnel, completely by ten or fewer civilian personnel or a combination of military or ten or fewer civilian employees can be converted directly to contract without a cost comparison as long as the following is provided:
 - Civilian Personnel Conditions: The commander has the responsibility to:
 - (1) Place or retrain employees in available permanent vacant positions, or
 - (2) Assign displaced employees to valid temporary or overhire positions in similar activities for gainful employment until permanent vacancies are available. The type of employee appointment (e.g., career, career-conditional, etc., or change from competitive to excepted service or vice versa) must not change, or
 - (3) Where no vacancies exist or are projected, offer employees retraining opportunities under the Job Training Partnership Act or similar retraining programs to transition to the private sector.

- Cost Effectiveness. (These requirements are necessary to comply with The Federal Workforce Restructuring Act, para 5g.) The commander's direct conversion announcement notification to AF/PER will indicate the contract office has performed a market analysis demonstrating the conversion is cost effective and the analysis is available upon request. To determine direct conversions are cost effective:

(1) The servicing manpower office and functional manager of the affected activity develop and submit to the Contracting Officer, an estimate of current in-house operating costs and an estimate of maximum acceptable contract bid prices. COMPARE software will be used to develop these estimates.

(2) The contracting officer develops a range of contract cost estimates, based upon at least four comparable service contracts, using acquisition market analysis procedures (cost adjustments for differences in scope may be necessary); compares the range of estimates to the estimate of maximum acceptable contract bid prices provided and determines the cost effectiveness of the proposed conversion. If the contracting officer finds that comparable contracts are not available or determines a direct conversion may not be cost effective, a cost comparison in accordance with AFP 26-12 is conducted.

- Statutory Exemption: a direct conversion can be performed if contracting can obtain a fair and reasonable price from a qualified nonprofit agency serving people who are blind or severely disabled or to a firm with 51% Native American ownership. The fair and reasonable price is to be compared to an estimated "MEO".
- Oversea locations may convert any size function to or from contract performance.

- Functional Area Responsibilities are outlined in detail in AFI 38-203.
 - HQ USAF/PER manages the Air Force Commercial Activities Program.
 - The Air Force Management Engineering Agency administers the program by providing technical guidance for data management and general program administration.
 - MAJCOM/FOA/DRU Chiefs of Manpower and Organization are responsible for implementing the program within their command.
 - The Command Commercial Activities Program Manager is responsible to ensure the Air Force Commercial activities Program is properly implemented within their Command and to provide guidance to their installation POCs.
 - The installation level POC is the Base Manpower Office.

LEGISLATION

Legislation does impact Air Force outsourcing. 10 USC, annual Appropriations and Authorization Acts, as well as other Public Laws require full compliance. Title 10 of the United States Code (10 USC), Chapter 146, has approximately ten sections relating to outsourcing. A few of the more relevant sections and their impact follow:

- 10 USC, 2461, requires:
 - Cost comparisons when more than 45 civilians are impacted by the action.
 - The Annual Appropriation Act lowers this threshold to 10 civilians (FY 95, PL 104-61, Section 8020).
 - An annual inventory of CAs (in-house & contracted).
 - Congressional announcement of a cost comparison with 45 or more civilians before the public announcement can be made.
 - Congressional notification of a decision to convert from in-house to contract as a result of a cost comparison.

- 10 USC, Section 2465: Prohibits contracting of firefighter or security guard functions unless contracted:
 1. on or before 24 Sep 83
 2. at government owned, contractor operated installation
 3. at oversea locations
- 10 USC, Section 2467: Requires
 1. fringe benefit costs to be included in government and contractor bids, and
 2. monthly consultation with employees and their Labor representatives affected by the cost comparison.
- The Annual Appropriation Act does not permit funding of contracts for cost comparisons that have exceeded 24 months for single functions or 48 months for multi-functions (FY 95, PL 104-61, Section 8037).
- Federal Workforce Restructuring Act, PL 103-226 (para 5g).
 - Workload accomplished by civilians cannot be outsourced unless cost effectiveness is proven, i.e., cost comparison. OMB Policy Memo M-24-28 states that cost comparisons will be used to demonstrate cost effectiveness where OMBC cost comparison is applicable and where not applicable alternative approaches can be used. To meet this requirement (for direct conversion of functions with 10 or less civilians), AF/PER implemented the market analysis criteria (as described under direct conversions above).

The sections of public law relating to outsourcing do everything from grant authorization to accomplish studies, to requiring reports, to establishing depot manning ratios. References are listed in appendix 3.

Where does the decision come from?

Step Three requires MAJCOM/FOA/DRUs perform a review of their in-house CAs to justify why they are performed in-house. As directed by OMB and DoD guidance, this justification falls within

specific pre-determined categories. The categories most frequently used follow (others exist but are less frequently used; AFP 26-12 provides all categories and their OMB/DoD definitions):

- National Defense
- Critical Military Skill
- Less Cost (Cost Compared under MEO)
- Base closure, realignment or consolidation
- Prohibited by Law, Executive Order, Treaty, International Treaty

If justification does not fall within one of these categories, the commander is required to schedule it for cost comparison or direct conversion.

As of 30 Sep 95, 10 USC 2468 expired. This law granted sole authority to installation commanders to determine which functions to cost compare or contract. MAJCOM commanders now make the decisions previously limited to installation commanders with regard to cost comparison or direct conversion determination of commercial activities. However, MAJCOM commanders are encouraged to include installation commanders in the decision making process or may continue delegation of this authority to their installation commanders, if desired. This change is now an issue of policy versus statute.

What can be outsourced?

Air Force functions fall within one of two categories: inherently governmental (cannot outsource) and commercial activity (can outsource). OMB Policy Letter 92-1, Inherently Governmental Functions, provides guidance for Federal agencies to determine which functions are inherently governmental. Commercial activities, not inherently governmental functions may be outsourced. A CA that is military essential, or prohibited by statute must not be outsourced. Outsourcing is not limited to small CAs (like grounds maintenance or billeting). The candidates are not limited to labor and management but include materials, facilities, technology, and land as well. In many cases, it is practical to cost compare multiple functions under one

solicitation. Some CONUS bases currently have civil engineer or transportation functions outsourced, while others have all base support functions contracted out. Air Force Civil Engineering places most of their functions into one of three categories:

- Assumed to be contracted at all locations (manpower to perform these functions is not authorized in manpower standards, and they should only be performed in-house under unusual circumstances).
 - appliance/special equipment maintenance
 - asbestos removal
 - pavement marking
 - oil/water separator maintenance
 - cleaning sewers/tanks/ducts
 - work orders over 250 man-hours (SABER)
- Functions which should normally be cost compared.
 - painting
 - military family housing maintenance
 - medical facility maintenance,
 - grounds maintenance
 - snow removal
 - refuse collection
 - furnishings management
 - utility plant operations
 - Civil Engineer Supply Stores (GOCESS/COCESS)
- Functions which cannot be contracted because of legal restrictions, or where contracting out would degrade readiness.
 - firefighting operations
 - aircraft crash rescue (wartime)
 - structural (against the law)
 - Any function, including those listed as normally cost compared, which would result in degradation of readiness if contracted

One benefit of including the MAJCOMs in the review and decision process is they may be able to look at command-wide contracts for similar functions or even geographical or regional efforts.

Military Essential vs. Inherently Governmental

There is a difference between military essential and inherently governmental. Military essential refers to the TYPE OF LABOR SOURCE for either an inherently governmental function or CA. Inherently governmental is a TYPE OF FUNCTION. For example, Air Force functions that are either inherently governmental (cannot contract category) or CA (can contract category) can also be military essential.

Commercial activities that are military essential are retained in-house based on one of the two “national defense” categories that justifies in-house military performance. Examples of these include aircraft maintenance, food services, and civil engineering services. When the commercial activity positions are no longer military essential, they should be outsourced or competed via a cost comparison.

Inherently governmental functions can be either military essential or non-military essential. Even if they are not military essential, they cannot be outsourced. Examples of inherently governmental functions that are also military essential are those required to meet wartime taskings or critical military skill requirements). These same functions continue to be inherently governmental without wartime taskings or critical skill requirements. OMB policy letter 92-1 provides Federal guidance for determining inherently governmental functions and is provided at Appendix 2 for information only.

Firefighters and security guards are the two functions that fall into the special category of commercial activity but functions that must be retained in-house based on a legislative prohibition on contracting. In-house is defined as military or civilian. The only exceptions are noted in the preceding section on Legislation.

Any questions regarding either type of function (commercial activity or inherently governmental) or type of labor source (military essential) or the legislative prohibition are to be directed to local manpower offices.

CONVERSIONS FROM CONTRACT TO IN-HOUSE PERFORMANCE

For the government to return contracted workload to in-house performance, one of the two criteria must apply:

- National Defense: The mission of a function has changed and military performance is now required to support readiness. This conversion requires AF/PE approval.
- Lower Cost: A cost comparison must be conducted to “prove” government civilians can operate the commercial activity at a lower cost than a contractor.
- A newly established need for a recurring service can be directly outsourced. No cost comparison is necessary.

RESOURCE ALLOCATION

When a cost comparison or direct conversion is announced, all the manpower resources (military and civilian) performing the workload are identified in an announcement to HQ USAF/PER. AF/PER reprograms the end strength in the FYDP. Commands must turn in all end strength and are not allowed to retain any manpower from these actions.

For direct conversions, all end-strength is programmed out of the FYDP and the associated dollars reprogrammed to fund the contract and QAE authorizations.

For cost comparisons, military end strength is programmed out of the FYDP when the candidate is announced to HQ USAF. This early action is necessary to accommodate budget lead time (two years) to transfer funding from 3500 (military pay) to 3400 (O&M). This ensures O&M contract or civilian pay dollars are available for the cost comparison decision.

HQ USAF has approved the use of either direct conversions or cost comparisons to programmatically identify command arbitrary reductions. In these cases, the total civilian

positions released due to either a direct conversion or cost comparison are credited towards a command's civilian reduction.

Commands are not to use the cost comparison process to "get well." Increases in MEOs will be scrutinized by HQ USAF with the final determination being by AF/PE. "Get well" is defined as using the cost comparison process to "fix" an unfunded requirement problem within the command.

OVERSEAS APPLICABILITY

The Air Force's Commercial Activities (CA) Program procedures apply to CAs in the United States, its Territories and possessions, and the District of Columbia. While overseas locations must maintain a CA inventory, all other procedures are optional (AFI 38-203). Overseas offices may make direct conversions to contract, or may elect to prepare a government bid to see if a civilian function would be more economical.

CONTINGENCY

The Army has already made a decision to outsource its support structure to include contingency operations. The Logistics Civilian Augmentation Program (LOGCAP) contract was awarded by the U.S. Army Corps

of Engineers in 1992. Since then, the contractor has done over \$260 million of support work for the DoD. The company is paid cost plus a fee to provide logistics support to the military in many regions of the world. They have been in Somalia, Haiti, and Bosnia. The contract requires them to be ready to prepare base camps anywhere in the world within 15 days of notification. Additionally, DoD has a contract with Federal Express to deliver hundreds of rarely used weapons parts anywhere in the world within 24 hours. Previously senior leadership officials have resisted farming out this type of work because they feared contractors would be unreliable in wartime. Most of the opposition has fallen by the wayside as the LOGCAP contract has been successful in cutting military expenditures for logistics and freeing up dollars for modernization. The Air Force is currently in the process of establishing a similar contract for logistics support. However successful or inexpensive, we must be careful not to jeopardize our force readiness. Even if something may be cost beneficial, it must be examined for effects on our warfighting ability. This includes also protecting our ability to surge in support services in times of mobilization and sustainment. We cannot sacrifice our combat capability.

REQUIRED NOTIFICATIONS

Legal and policy requirements require compliance with the following notifications:

<p><i>HQ USAF and Congressional Notifications</i></p> <p>ANNOUNCEMENT OF COST COMPARISONS</p> <p>(IAW 10 USC 2461)</p>	<ul style="list-style-type: none"> • HQ USAF Notification: MAJCOM Chiefs of Manpower and Organization provide written notification to HQ USAF/PER using a prescribed format. Prior to this notification base and command level functional OPRs should be working the initiatives with their HQ USAF counterpart. This ensures quick coordination on the HQ USAF/PER developed concurrence. While MAJCOM commanders have authority to determine outsourcing initiatives, HQ USAF has the authority to nonconcur based on national defense or legislative constraints. • Functions with 45 or fewer civilians: Given assurances from the HQ USAF level functional OPR that concurrence is forthcoming, the command may make public announcement and begin the cost comparison when the MAJCOM notifies HQ USAF or wait until written concurrence is received from HQ USAF. HQ USAF rarely nonconcurs on these initiatives; however, when this happens the cost comparison or direct conversion is canceled. Typically, this would occur only when legislative or wartime problems exist with the initiative which could be resolved ahead of time if the MAJCOM functional OPR interfaces with their HQ USAF counterpart. <p>Functions with 46 or more civilians: No public announcement can be made until HQ USAF makes congressional notification of the cost comparison. The cost comparison may begin after HQ USAF/PER or SAF/LLP notifies the command that congressional notification has been made.</p>
<p><i>HQ USAF and Congressional Notification</i></p> <p>ANNOUNCEMENT OF COST COMPARISON DECISION TO CONVERT FROM IN-HOUSE TO CONTRACT PERFORMANCE</p> <p>(IAW 10 USC 2461)</p>	<p>HQ USAF Notification: MAJCOM Chiefs of Manpower and Organization submit an RCS 8001 to HQ USAF/PER to notify HQ USAF/PER of a cost comparison decision to convert an in-house function to contract performance (AFP 26-12). A Congressional notification package is developed for HQ USAF coordination. No contract award or notice to proceed can be issued until SAF/LLP makes congressional notification of the cost comparison decision to convert the function from in-house to contract performance. SAF/LLP or AF/PER will notify the command when congressional notification will be made.</p>

<u>DoD Employee Notification</u> (IAW 10 USC 2467)	DoD components shall, in accordance with 10 USC Section 2467(b), at least monthly during the development and preparation of the performance work statement (PWS) and management study, consult with DoD civilian employees who will be affected by the cost comparison and consider the views of such employees on the development and preparation of the PWS and management study. Consultation with representatives of the labor organization satisfies the consultation requirement.
<u>Local Notification</u> (IAW 10 USC 2461)	Before starting the cost comparison process, the installation commander makes a public announcement of the cost comparison, including a brief explanation of the cost-comparison process to the employees of the activity and the local community. CPO ensures the installation's labor relations specialist is also appraised to ensure appropriate notification to employees and their representatives in accordance with applicable collective bargaining agreements. Local Interservice Support Coordinators and the Chairman of the Joint Interservice Resources Study Group should be notified of all cost comparisons and direct conversions.

COST COMPARISON TIMELINE

The following timeline illustrates the steps and approximate timeframes currently associated with cost comparison efforts (This timeline is based on an actual cost comparison--the largest (1444 authorizations) conducted in the Air Force to date):

<u>ACTION</u>	<u>MONTH ACTION OCCURS IN</u>	<u>OPR</u>
Announce Action and Receive MAJCOM and/or HQ USAF Concurrence	1	MO
Develop & Complete PWS*	1-6	Func & MO
Develop & Complete MEO	3-7	MO & Func
Develop & Complete ACQ Plan	1-6	LGC
Issue CBD Synopsis**	1,3,6	LGC
Obtain DOL Wage Rates* **	7	LGC
Form 9 & PWS to LGC	7	Func & LGC
Develop & Issue Solicitation	4-7	LGC
Complete In-house Bid	6-9	MO
Complete Independent Review	10	FM
Pre-Proposal Conference	8	LGC
Await Proposals	8-9	LGC
Receive & Review Proposals	10-16	LGC
Select Proposal & Conduct Cost comparison	16	LGC & MO
Review Period	17	All Parties
Appeal Period	18-19	LGC & MO
Congressional Announcement & Contract Award	19	MO & LGC
Issue Notice to Proceed & RIF Notices	19-21	LGC & DP
Begin Transition	20-21	Func
Contract Start	22	LGC

* PWS's available on-line as templates may substantially reduce this time frame

** May synopsise one time if sufficient sources are identified

*** DOL wage rates are now available on-line which can reduce this time frame dramatically.

DIRECT CONVERSION TIMELINE

The following timeline illustrates the steps and approximate timeframes currently associated with direct conversion efforts:

<u>ACTION</u>	<u>MONTH ACTION OCCURS</u>	<u>OPR</u>
Announce Action and Receive MAJCOM and/or HQ USAF Concurrence	1	MO
Develop and Complete PWS*	1-3	Func
Develop and Complete ACQ Plan	3	LGC
Obtain DOL Wage Rates* *	3	LGC
Develop and issue solicitation	7	LGC
Pre-Proposal Conference	8	LGC
Await Proposals	8-9	LGC
Receive and Review Proposals	10-12	LGC
Issue Notice to Proceed/RIFs***	13-15	LGC/DP
Contract Start	15	LGC

* PWS's available on-line as templates may substantially reduce this time frame

** DOL wage rates are now available on-line which can reduce this time frame dramatically.

*** RIF actions apply as required by DP

Once the decision to outsource a function is made, you have in essence decided it is not a military function. This is important because although a function can be brought back in house later, it is difficult to return it to military personnel. When a cost comparison study is announced, both military and civilian end strength must be included. The first resource step AF/PE will take is to convert existing military billets to civilian in the Future Years Defense Plan (FYDP) and reprogram 3500 dollars to 3400. Consequently, whether it stays in house or not, you are now bound by civilian resource policies and constraints. Normally, if a function is contracted out, the civilian end strength is withdrawn from the MAJCOM FYDP.

The following are some common questions and answers when dealing with this process.

Are there criteria for "direct conversions" of a commercial activity?

- Direct conversions of commercial activities to contract are permitted for activities
- Performed exclusively by military personnel.

- Performed by ten or less Air Force civilians. If an activity is staffed with any number of military personnel and ten or less Air Force civilians, direct conversions are permitted.
- Performed outside the United States, its territories and possessions, the District of Columbia, or the Commonwealth of Puerto Rico.
- Functions may be directly converted to non-profit activities for the blind or severely handicapped.

Isn't it still necessary to conduct a cost comparison for commercial activities that meet the criteria for Direct Conversion?

- **No!** Once approved for conversion, an activity can be directly converted to contract without conducting a cost comparison or performing a management study.
- However, a cost comparison can be performed at the **commander's** discretion for activities with less than ten Air Force civilians.

How long is the process for direct conversions?

Air Force-wide the average length of time to complete direct conversions is 15 months. Procedures for conversion of an in-house activity directly to contract, without a cost comparison, are outlined and described in AFP 26-12, Chapter 12.

What are some key steps to take to ensure that a direct conversion of a commercial activity benefits the Government?

- Develop an estimate of existing in-house performance costs. An estimate of this sort is not the same as a complete cost comparison study that must be undertaken when competition between the government and private enterprise is for commercial activities comprising 11 or more Air Force civilians.
- Begin the solicitation process.
- Compare bids/proposals received against the in-house cost estimate.
- Cancel the solicitation if contractor bids are too high as compared to in-house estimate.

What are New Requirements?

A new requirement is a newly established need for a commercial product or service. A new requirement does not include interim in-house operation of essential services pending requisition of the services prompted by such action as the termination of an existing contract operation.

How is it determined whether a cost comparison should be conducted for new requirements, expansions and for conversions to in-house performance?

During the review process, the appropriate **Decision Tree** in AFP 26-12, Appendices 3, 4 and 5, should be utilized to accomplish the review and to determine

whether a cost comparison should be conducted.

Is it possible to bring back in-house a commercial activity (CA) that is already contracted out?

Yes! To bring a service contract in-house commanders must perform an cost comparison. If in-house performance is cheaper, commanders can return to in-house **civilian** operation only. No **military** positions are normally authorized. Return to **military** performance is very rare and must be approved by Air Staff.

How do commanders determine direct conversions are cost effective?

Before the Commander notifies AF/PEM of a direct conversion, he must perform a market analysis demonstrating the conversion is cost effective. The analysis will be available upon request.

- The servicing manpower office and functional manager of the affected activity develop and submit to the contracting officer, an estimate of current in-house operating costs and an estimate of maximum acceptable contract bid prices. The OMB Circular A-76 Cost comparison System (COMPARE) and instructions to COMPARE Operating Handbook will be used to develop these estimates.
- The contracting officer develops a range of contract cost estimates, based upon at least four comparable service contracts, using acquisition market analysis procedures, (cost adjustments for differences in scope may be necessary); compares the range of estimates to the estimate of maximum acceptable contract bid prices provided and determines the cost effectiveness of the proposed conversion. If the contracting officer finds that comparable contracts are not available or determines a direct conversion may not be effective, a cost comparison in accordance with Chapter 10, AFP 26-12 is conducted.

KEYS TO SUCCESS

Cost comparisons and outsourcing initiatives are by no means new. We've done cost comparison studies for quite some time already. Research of previous cost comparisons and discussions with individuals and commands experienced with the topic have revealed certain "keys to success." The keys are: early planning, a quality PWS, a sound source selection plan, good program management, and effective QAEs. Contracting offices should focus on four specific areas to ensure cost comparison success. A general overview of these four areas follow. (A more detailed discussion of each can be found in the Acquisition Process chapter later in this guide.)

A cost comparison takes an average of 10 months from announcement to bid opening. Therefore any effort to reduce the process can pay big dividends. The emphasis should be on getting the process accomplished correctly vice expeditiously to avoid long-term negative effects. Cost comparison must be a team effort. Each phase contains targets of opportunity for improvement. There are three basic phases of the cost comparison process: planning, source selection, and award.

PLANNING PHASE

Development of PWS OPR: Functional & Manpower	The most crucial step in the process. The effort can be reduced by taking advantage of PWS outlines or templates available on-line from the Air Force Civil Engineer Support Agency on the World Wide Web (http://www.afcesa.af.mil). Contracting should provide assistance to the functional area up front in the PWS development so mistakes are avoided. Additionally, contracting can improve the PWS process by providing quality reviews of the PWS and QASP. A step by step review outline is provided in Chapter Four of this guide. Another source is the AFMEA bulletin board where completed cost comparison PWSs are maintained.
Market Research OPR: Contracting & Functional	<ul style="list-style-type: none"> Consists of identifying successful practices and approaches others have used Identifying potential vendors and their practices and capabilities Identifying desirable systems and current technologies that are available Validating Government plans and viewpoints with industry <p>This knowledge provides the basis for an effective solicitation and may provide insights that will assist in reducing the submission of ineffective offers.</p>
Acquisition Planning OPR: Contracting	<ul style="list-style-type: none"> The success of any effort is largely dependent upon effective planning. This is the function of the acquisition strategy panel (ASP). The use of ASPs and templates for acquisition plans is highly encouraged. A little up front time and effort will save an enormous amount of time and effort later.
Development of the Most Efficient Organization OPR: Manpower & Functional	This step occurs concurrently with acquisition steps. The MEO is the government's in-house organizational structure and minimal civilian resources that best meet the performance requirements of the performance work statement. This organization or MEO is the basis for government costs, i.e., government bid, entered on the cost comparison form. (Refer to AFI 38-209 for details).
Development of the Government's Bid OPR: Manpower	This step occurs concurrently with acquisition steps. After the MEO has been completed, Manpower develops the in-house cost estimate (known as the Government's Bid) based on the MEO. This cost is entered on the cost comparison form. The automated costing model, COMPARE, is used to develop the Air Force cost estimate. (Refer to AFI 38-209 for details.)
Independent Review of the Government's Bid	<ul style="list-style-type: none"> This occurs concurrently with acquisition steps. After the in-house cost estimate has been completed, the government's management study, inhouse cost estimate, and when necessary, technical performance plan,

OPR: Financial Management	are independently reviewed by Financial Management. (AFI 38-209/AFM 65-507)
Writing the QASP/SSP <u>OPR: Functional</u>	There are numerous sources of information on these topics from instructions and regulations to handbooks. Chapter four of this guide discusses QASP development and references additional sources for review. The SSP is critical to the source selection process because it outlines the focus and direction the effort will take from the start. Aggressive efforts in QAE training as well as attendance at the QAE course of the 3445 TRS/TTC at Lackland AFB will help build effective quality assurance programs;
Key Terms and Conditions OPR: Contracting	Contract terms and conditions must <ul style="list-style-type: none"> • Incentivize contractor performance (use of options may provide this) • Present potential to share savings (should reduce total costs) Emphasize long term partnering (Use ADR techniques for disputes)
Issuance of the Synopsis OPR Contracting	Modern technology has introduced several very effective methods of soliciting industry outside of the traditional Commerce Business Daily synopsis. Electronic bulletin boards and internet sites are excellent venues for industry to access current initiatives. SAF/AQC has a business opportunities home page on the internet with links to MAJCOMs and other sites. (http://www.safaq.hq.af.mil/SAFAQ/contracting/biz_opty.html)
Wage Rates OPR: Contracting	These determinations can be obtained almost instantaneously from the SAF/AQC homepage. Solicitations should not be delayed waiting for DOL response.

SOURCE SELECTION PHASE

Evaluation of Industry Proposals OPR: Contracting and Functional	Many installations are turning to the best value technique to compare the industry and government proposals. While this is an effective evaluation method, it is labor intensive and requires more time than sealed bid procedures. Offices should not be dissuaded from using best value, but weigh the constraints and lead time against the potential payoff. Low bid may still be effective. However, if using best value, sections L and M of the proposal are critical. A template is provided at appendix 4 as an example.
Cost comparison OPR: Contracting and Manpower	Cost comparison, the process whereby the estimated cost of government performance (in-house cost estimate) is formally compared, in accordance with principles and procedures of OMBC A-76, to the cost of contract performance. The automated costing model, COMPARE, is used to conduct the cost comparison.

AWARD PHASE

Appeals and Protests OPR: Contracting and Manpower	The appellate process is a tremendous target for streamlining and fostering trust and cooperation with industry. By ensuring the offerors and Federal Labor Unions understand the process is fair and equitable, and ensuring debriefings are conducted in accordance with AFFARS, the number and frequency of appeals and protests can be reduced significantly.
Transition OPR: Contracting, Functional, and Personnel	The transition from in-house effort to outsourced services must be well planned and timed. The goal should be seamless transition (customer unaware) <ul style="list-style-type: none"> • Consider creating a transition team separate from acquisition team • Discuss transition during negotiation and evaluation phases of acquisition • Consider retaining some in-house expertise to assist with transition/oversight • Civilian personnel office must be part of this step to ensure appropriate

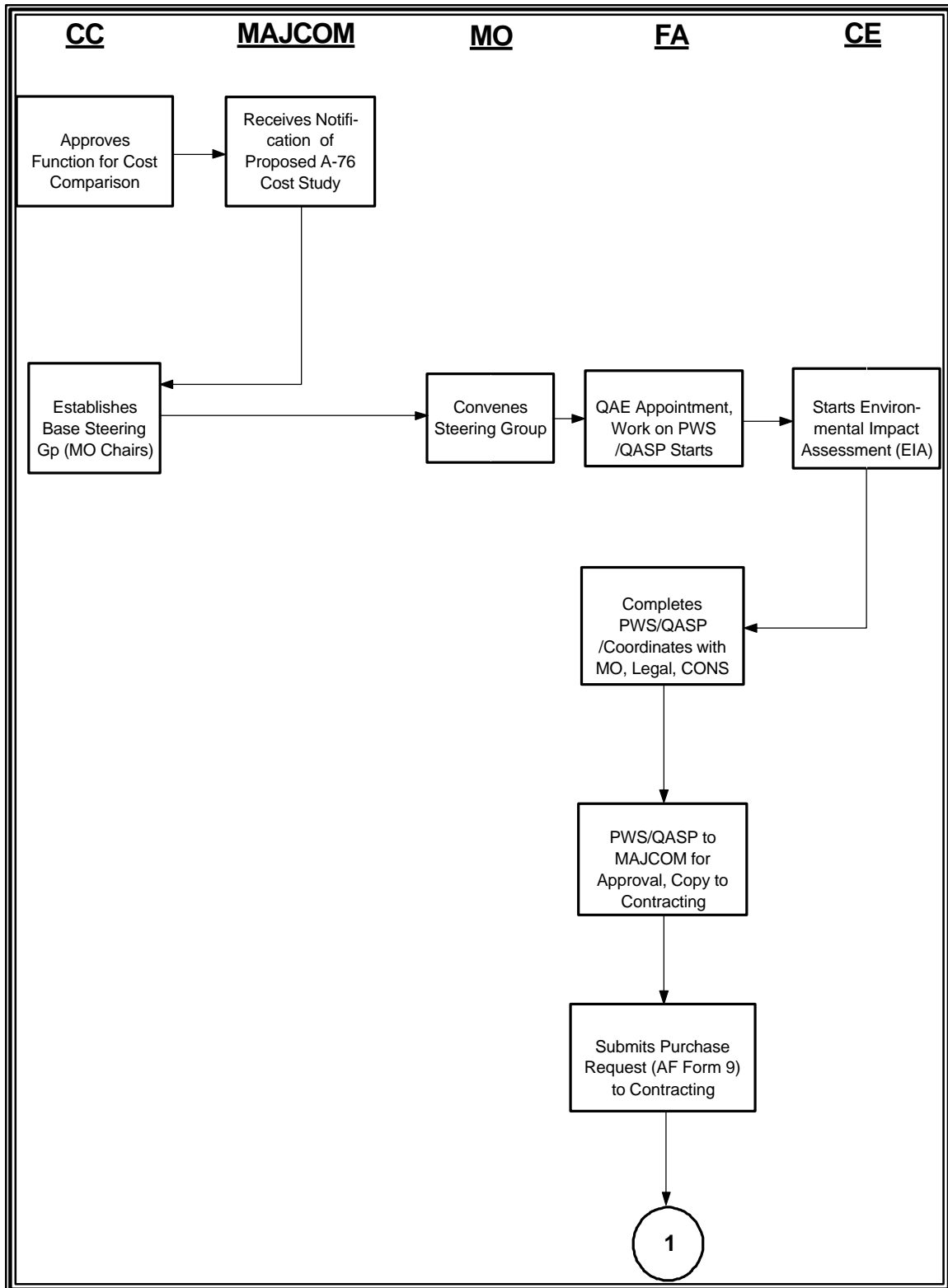
	seperation actions are addressed.
Contract Administration OPR: Contracting	Appropriate appointment and training of QAEs and Functional Area Chiefs (FACs) are essential to reduce time and effort in the award phase of the process and is discussed in detail later in the guide. Of particular note is the recently published Air Force Instruction 63-504, 1 Apr 96, which addresses QAE issues. Administrators should be involved up front in the process, not at contract award.
Industry Involvement OPR: Contracting	In most cases (not just cost comparison), the acquisition process can be streamlined by getting industry involved up front in the process. The following are ways to involve industry: <ul style="list-style-type: none"> • Encourage participation through draft solicitations; • Make use of presolicitation conferences; and • Solicit feedback through Electronic Commerce and Electronic Data Interchange EC/EDI or other electronic media such as internet information resources. <p>No matter how the process is attacked for streamlining efforts, the thing to remember is that there are many opportunities to improve and their success or failure is largely dependent upon a team effort.</p>

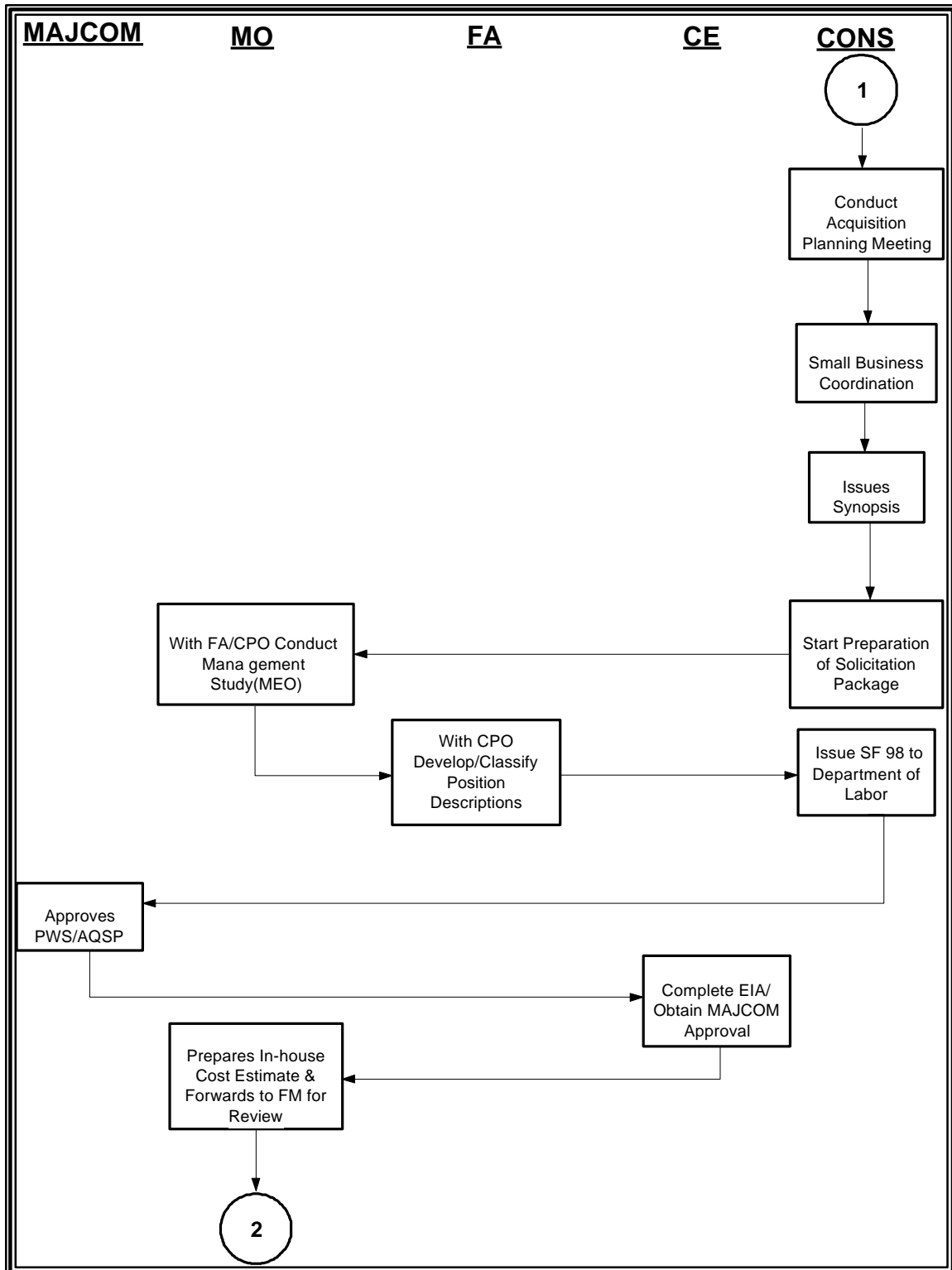
DETAILED DEBRIEFINGS

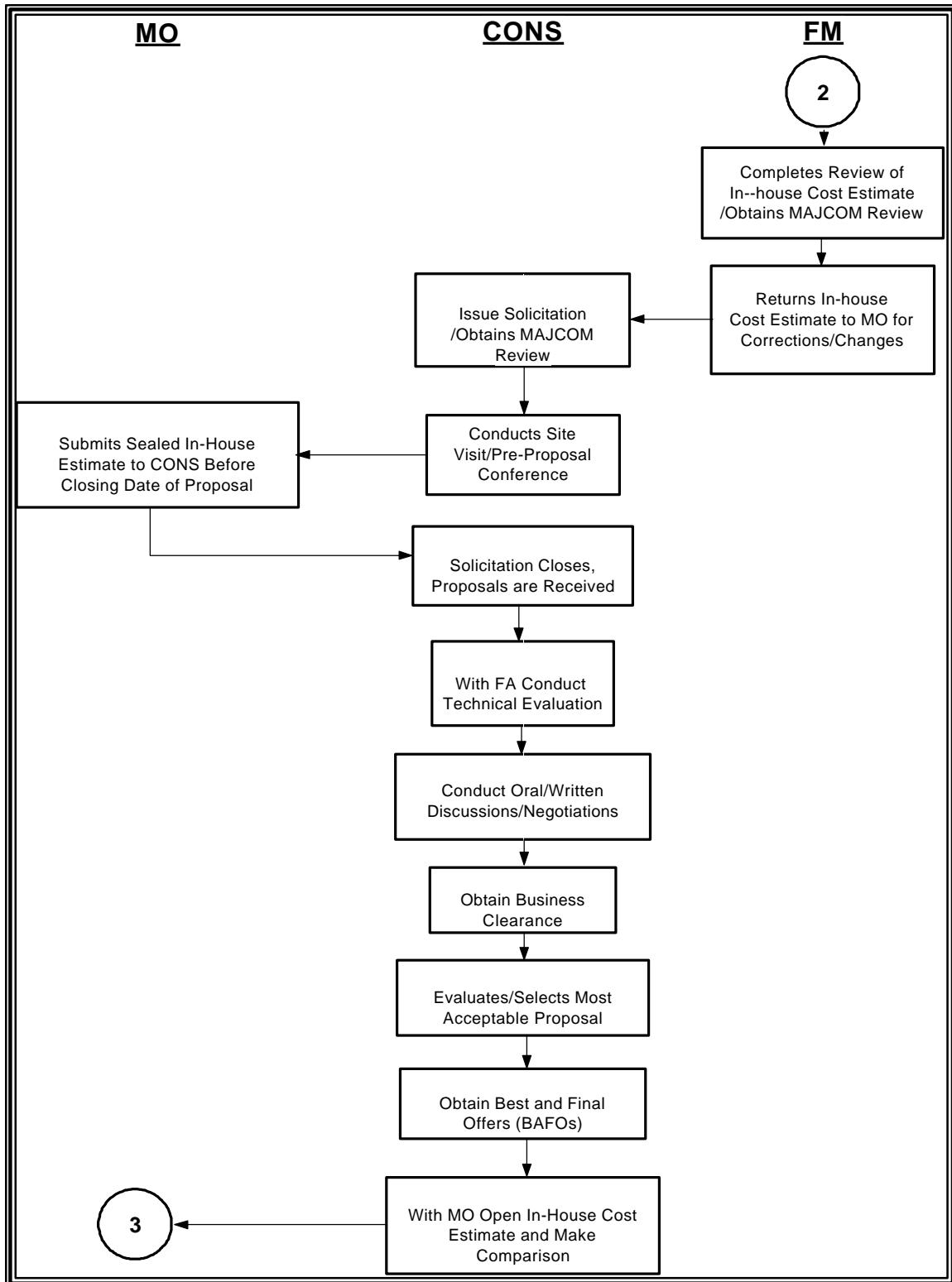
Acquisition Reform	Recent acquisition reform initiatives have modified the content and structure of formal debriefings to unsuccessful offerors. The move is now toward more open debriefings in response to increased contractor complaints and protests in source selections. Under the new more open procedures, the number of protests being filed has been reduced dramatically.
FAR	Subpart 15.10 of the FAR states that “when a contract is awarded on the basis of competitive proposals, an offeror, upon its written request received by the agency within three days after the date on which that offeror has received notice of contract award, shall be debriefed and furnished the basis for the selection decision and contract award”. The main purpose of conducting open and frank debriefing procedures is to promote better understanding between the Government and industry, facilitate better contractor proposals in future buys, and reduce the probability of protests.
FASA	The Federal Acquisition Streamlining Act (FASA) brought about several changes to the debriefing process. Some of these changes will simplify and shorten the contracting process, allowing government agencies to reap resource savings. Others reduce or eliminate administrative barriers in some fashion, allowing both government agencies and industry personnel the opportunity to make smarter business decisions and to reduce administrative costs.

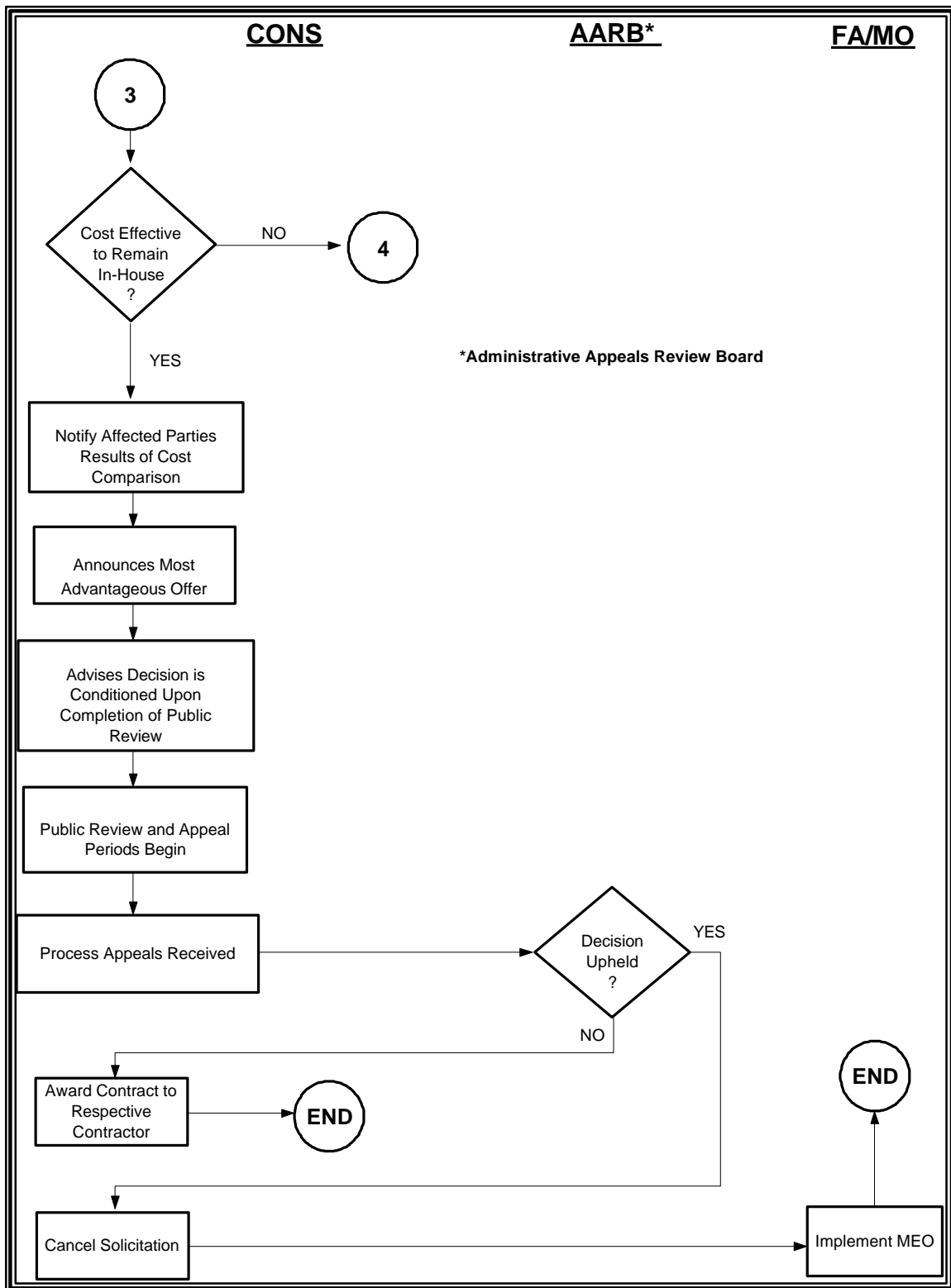
COST COMPARISON FLOWCHARTS

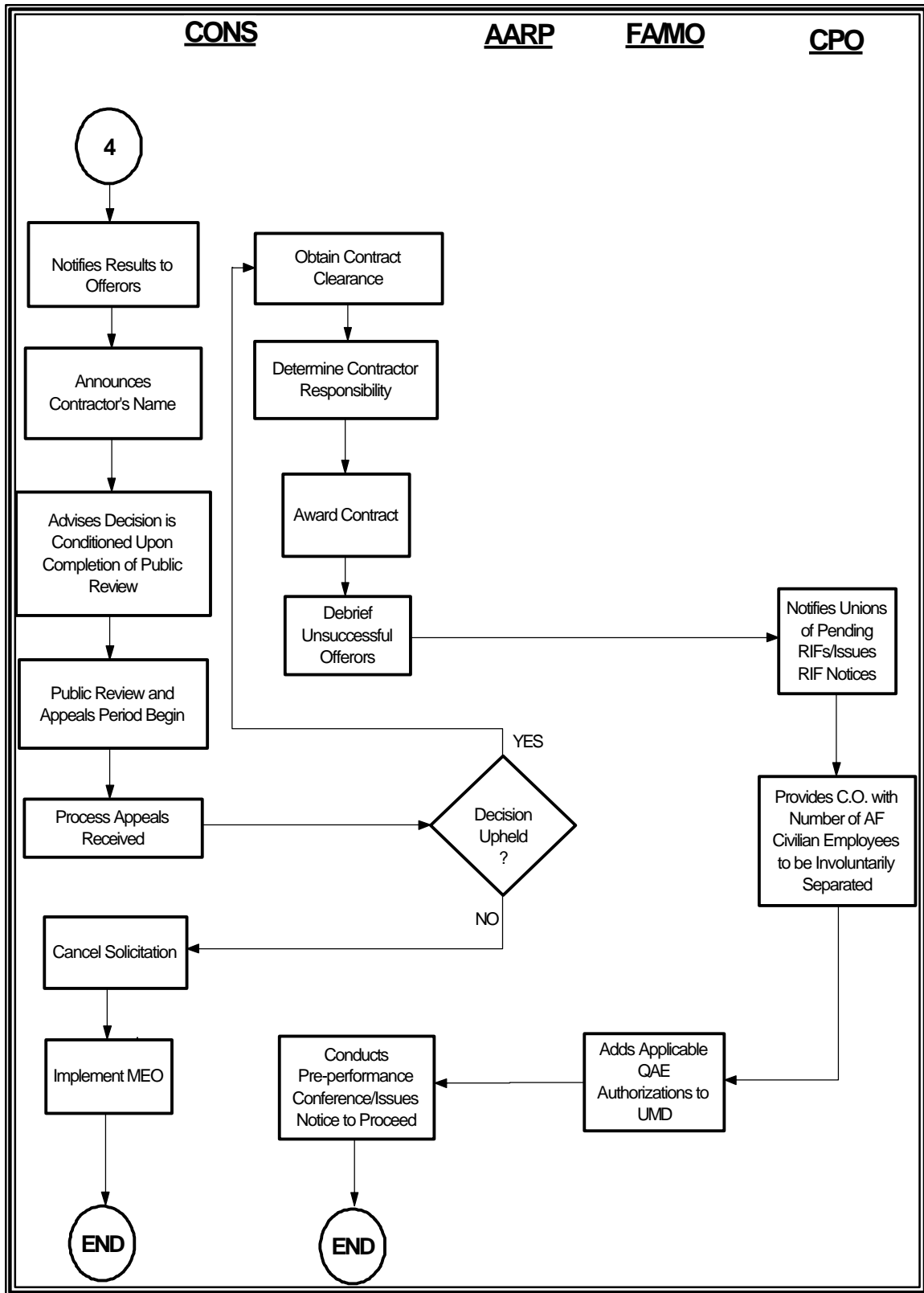
These flowcharts present an overview of a cost comparison including all functions. While we in contracting are most concerned with the solicitation and evaluation processes, it is important we review the whole process so we understand the relevance and importance of the functions for which we are responsible. The flowcharts depict the sequential and parallel steps in the process and who performs them. It is important to remember this is a process managed by manpower but key players also include contracting, the functional OPR, civilian personnel, and financial management.











COMMERCIAL ACTIVITIES PROGRAM

COST COMPARISON ROLES AND RESPONSIBILITIES

INTRODUCTION

The Air Force Commercial Activities Program involves many key members. AFI 38-203 provides Commercial Activities responsibilities from Headquarters Air Force to the base level manpower office. This section will focus on the responsibilities of the steering group which is the primary team responsible for cost comparisons and is established at each affected installation, as well as the MAJCOM/FOA/DRU level.

HEADQUARTERS ACTIVITIES & FUNCTIONS

ORGANIZATION	DUTIES
HQ USAF/PE Headquarters U.S. Air Force Manpower Resources Division	<ul style="list-style-type: none"> Oversee the overall implementation of the Air Force CA Program. Approve out-of-cycle requests involving a capital investment and annual personnel, material and supply cost of \$500,000 or more for conversion of contract activities to in-house, expansions, and new requirements.
SAF/AQCO Office of the Deputy Assistant Secretary (Contracting), Operational Contracting Division	<ul style="list-style-type: none"> Provide contracting guidance for the CA Program.
SAF/GCQ Office of the General Counsel, Assistant General Counsel for Acquisition	<ul style="list-style-type: none"> Will provide legal determinations for the CA Program.
SAF/FMC	<ul style="list-style-type: none"> Provides guidance to commands on independent review procedures, including AFI 65-504.
SAF/LLP Office of Legislative Liaison Programs and Legislative Division	<ul style="list-style-type: none"> Interface with the Congress, other agencies, and the public, on the CA Program.
HQ USAF/PER Headquarters US Air Force Manpower Resources Division	<ul style="list-style-type: none"> Will manage the Air Force CA Program. Write and maintain Air Force instructions and coordinate on AFP 26-12 (soon to be replaced by AFMAN 38-209) on the CA Program and ensure Air Force compliance with policies outlined in OMBC A-76 and its supplement. Notify Congress of intent to cost compare a CA with more than 45 DoD civilian employees. Notify Congress of intent to convert an in-house CA to contract.

MAJCOM ORGANIZATIONS & FUNCTIONS

ORGANIZATION	DUTIES
MAJCOM Manpower and Organization Chief	<ul style="list-style-type: none"> • Administer the MAJCOM CA Program. • Assess installation commander review decisions, obtain command concurrence or approval for them, and forwarding them to HQ USAF/PEM. • Maintain a CA inventory and provide required reports. • Appoint a command administrative appeal team or board to resolve questions.

RESPONSIBILITIES OF INSTALLATION STEERING GROUP MEMBERS

ORGANIZATION	DUTIES
Installation Commanders	<ul style="list-style-type: none"> • Appoint members to the cost comparison steering group in writing. • Ensure timely completion of the cost comparison. • Notify their MAJCOM when projected milestones would cause the cost comparison to exceed 24 months for single function studies or 48 months for multifunction studies. <p>(NOTE: In certain circumstances where the activity is not a part of the host base, it may be more appropriate for an official from that activity to carry out these responsibilities)</p>
Installation Steering Group	<ul style="list-style-type: none"> • Members will sign a statement that they have read and understand the Joint Ethics Regulations (JER), DoD 5500.7R <p>Members establish milestone dates to help make orderly and timely decisions.</p>
Comptroller's Office	<ul style="list-style-type: none"> • Appoints an independent reviewer from the financial analysis function. <p>Upon request of the manpower office, conducts a cost-benefit analysis to determine whether providing government property to a contractor is in the best interest of the Air Force when such analysis lends itself to quantification, and analyzes the economic impact on the local community when 75 or more DoD employees will be affected by the cost comparison in accordance with 10 U.S.C. 2461.</p>
The Base Staff Judge Advocate	<ul style="list-style-type: none"> • Reviews the solicitation for legal sufficiency. • Ensures cost comparison is in compliance with statutes, regulation and policy.
The Base Civil Engineer	<ul style="list-style-type: none"> • Reviews the PWS and makes sure utilities, facilities, and services support are properly provided. • Helps the functional OPR in the environmental assessment of proposals. • Assesses any possible intergovernmental or community impact considerations.
Military Personnel	<ul style="list-style-type: none"> • Develops a proposed implementation plan for the systematic phase out of affected military personnel. • The plan, as a minimum includes: <ul style="list-style-type: none"> • Milestones for conversion to contract operation. • Desired military personnel actions of affected military personnel. • Desired date of availability (DOA) of affected military incumbents for placement in assignment availability codes. HQ AFPC assignment officials work with MAJCOMs, FOA or DRU.

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ORGANIZATION	DUTIES
The Servicing Manpower Representative	<ul style="list-style-type: none"> • Chairs the steering group, and convenes it at the beginning of the cost comparison process. • Outlines the responsibilities of steering group members. • Briefs members on the importance of integrity and objectivity when conducting the cost comparison, stresses also that all information and cost data about the cost estimate should be properly safeguarded, in concert with contracting and legal. • Identifies employees (military and civilian) who will perform as procurement officials. • Obtains certificates from all designated procurement officials. • Ensures that authorizations identified within the scope of the cost comparison are coded with an "R" in the military essentiality code (MES) column on the unit manpower document (UMD). • Assists the functional OPR in developing the PWS and QASP and conducts the management study along with the functional OPR. • Develops the in-house cost estimate using COMPARE • submits the in-house cost estimate to contracting in a sealed envelope • implements MEO to ensure tasks outlined in the PWS are performed with resources estimated in cost comparison.
Manpower Cost Comparison Responsibilities	<ul style="list-style-type: none"> • Develops the cost comparison along with appropriate steering group representatives. • Certifies, when required, that the in-house estimate is based on the cost to accomplish the PWS. • Provides results of cost comparison, along with backup data, to the cost analysis office for independent review (when required) before sending all information to the contracting officer. • Provides certified review forms (AF Form 346 or AF Form 1282) and all backup data in a sealed envelope to the contracting officer. • Attends prebid or preproposal conference to answer questions about procedures to be followed in the cost comparison, and to receive copies of a contractor questions and government answers. • Attends bid opening (or determination of most advantageous offer) and completes cost comparison. • Oversees MEOs, through validation of manpower requests, equipment requests, etc., to ensure tasks outlined in the PWS are performed with resources estimated in the cost comparison.
Local Labor Union	<ul style="list-style-type: none"> • AFI 38-209 assigns the Civilian Personnel Office with the responsibility of notifying all employees and the labor union of the planned cost comparison. They also ensure that the employees and union are given an opportunity to provide ideas for consideration in the development of the PWS and management study. <p>Labor unions should be allowed to participate to the maximum permissible extent possible in the cost comparison process. However, AF/JAG concluded that "labor organizations, in their representational capacities on behalf of potential affected civilian employees, may participate in the preparation of the PWS, but only to the extent of providing technical support to other team members who actually develop the PWS, and may participate fully in management studies leading to the establishment of</p>

	the MEOs".
Civilian Personnel	<ul style="list-style-type: none"> • Notifies all affected employees and the labor organization of the planned cost comparison. • Informs civilian employees who may become procurement officials of: <ul style="list-style-type: none"> • Regulatory provisions that allow employees to participate in the cost comparison process. • The impact of right-of-first refusal as a result of being designated a procurement official. • The procedures for individuals to seek recusal from involvement as a procurement official. • Requirement for procurement officials to sign certifications. • Starts a request for reduction-in-force (RIF) approval as soon as possible if it is estimated that the number of civilian employees meets the threshold of involuntary separation; makes sure that at least a 60 day notice (before contract start date) of a RIF is given to employees.
Functional Office of Primary Responsibility (OPR)	<ul style="list-style-type: none"> • Develops the PWS and QASP per AFMAN 64-108. • Develops position descriptions, as necessary, to support the MEO. • Prepares and submits AF Form 813, Request for Environmental Impact Analysis on the proposed conversion to contract. • Assists the servicing manpower office in conducting the management study, and reviews and authenticates the MEO. • Prepares and submits the AF Form 9, Request for Purchase, to the servicing contracting office along with: <ul style="list-style-type: none"> • A list of job categories if the Service Contract Act will apply. • A completed SF 308, Request for Wage Determination and Response, if the Davis Bacon Act (construction) wage rates are required and there are no published wage rates for the required categories. NOTE: Wage Rates are now available on-line. • Assists in developing acquisition strategy plan for achieving an economical and high quality result. • Develops a phase-in plan for converting a predominantly military work force to an in-house civilian work force. • Develops a transition plan to convert the in-house work force to a contract work force. • Works with the steering group chairperson and financial management to determine whether to furnish existing government property to contractors.
The Contracting Office	<ul style="list-style-type: none"> • Acts as a member of the installation steering committee, advisor on acquisition planning and contracting questions. • Advises the functional OPR on the development of the PWS and QASP • Reviews the PWS and QASP to ensure compliance with AFMAN 64-108 and provides acquisition strategy planning as early as feasible in the acquisition cycle to develop a systematic and disciplined approach toward achieving an economical and high quality result. • Publicizes the proposed procurement in the Commerce Business Daily (FAR Parts 5 and 7). • Issues solicitation and any subsequent amendments and coordinates all solicitation amendments and modification documents with the steering committee chairperson to ensure cost-comparison government

Contracting Office (Cont.)	<p>estimate is based on same parameters as potential bidders and offerors.</p> <ul style="list-style-type: none"> • Presides at prebid or preproposal conference. • Advises the servicing manpower office of scheduled cost comparison date after selection of the most advantageous proposal or receipt of bids, and presides at bid opening or the "most advantageous offer" meeting. • Notifies the servicing manpower office immediately upon receipt of a protest or an appeal. • Notifies the servicing manpower office in writing when a contract is actually awarded or when solicitation has been canceled. • Develops a plan for contract administration.
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SUPPORTING AGENCIES

Air Force Civil Engineer Support Agency (AFCESA)

The Air Force Civil Engineer Support Agency is charged with providing support to all Air Force Civil Engineer functions. AFCESA has established a World Wide Web (WWW) site which includes an on-line library of service contract PWSs available for downloading by anyone with WWW access, including sister services and other agencies which may find them useful. AFCESA also started the process of turning these PWSs (57 types prioritized by the MAJCOMs) into model documents. The model PWS will lead the user through a series of questions about services to be included, service frequency, etc., culminating in a document which eliminates weeks of repetitive work and allows further tailoring as necessary. They have used both Air Force command partners and commercial organizations such as the Contract Services Association (CSA) to review and make recommendations for improving the PWSs in development. In addition to the PWS, AFCESA plans to publish QASPs, QAE selection criteria and position descriptions, contract performance metrics, and QAE training requirements as a complete package for each service type.

Air Force Management Engineering Agency (AFMEA)

Headquarters for Air Force Management Engineering Agency, Directorate of Productivity Programs and Analysis, Commercial Activities and Capital Investment Division (HQ AFMEA/MEQC):

- Administers the Air Force Commercial Activities Program;
- provides technical Commercial Activities Program Guidance;
- manages the Commercial Activities Inventory Program and information system;
- maintains a Commercial Activities PWS and QASP library for use by activities conducting cost comparisons;
- writes and maintains AFP 26-12 in coordination with HQ USAF/PER;
- responds to program inquiries upon request;
- and
- determines requirements for and develops and maintains specifications for software programs required to administer the CA program.

An Air Force specific cost comparison training course is available!!! This is a 5-day course that teaches the OMB Circular cost comparison cost comparison process. The course is intended for persons who develop the MEO and the government cost estimate (e.g. manpower personnel and functional managers) and for persons who independently review these products (e.g., financial management personnel). While the course will provide an overview of the entire cost comparison process, it will not provide detailed Performance Work Statement (PWS) development instruction. If you need cost comparison training and are interested in attending a course, contact your MAJCOM

Commercial Activities Program Manager for information on available course quotas. AFMEA POC is Mr Jim Garrison DSN 487-6866.

THE PERFORMANCE WORK STATEMENT

INTRODUCTION

The Performance Work Statement (PWS) defines the work to be accomplished in the contract. The PWS is one of the most critical components in the success of the cost comparison process and is the “heart” of the cost comparison. It is the basis both for the in-house cost estimate and potential contractor’s cost proposal. The PWS must capture the workload! It must not be worded in any manner stating how the contractor is to perform the work. The functional organization has primary responsibility for developing the PWS. Contracting provides assistance during PWS development and conducts a comprehensive review to insure that it is complete, accurate, and defines the Air Force’s requirements. PWS development does not have to be started from scratch. There are already completed PWSs for practically every commercial function and there are organizations that are consolidating and making them available for use. Tailoring a good PWS to a particular installation’s workload will save time and in most cases will allow the PWS team to complete a more outstanding product.

STATEMENTS OF WORK, PERFORMANCE WORK STATEMENTS AND STATEMENT OF OBJECTIVES

The terms “statement of work, performance work statement and statement of objectives (SOO)” may have different meanings to those who develop and review them. We will define a **statement of work** as a description of the government’s requirements in which the government expresses “what” it wants, plus “how” to do the work. For example, an agency may need to have grass cut; that is “what” is required. A statement of work for such a requirement also would specify “how” to cut the grass—by using hand or riding mowers, bagging the clippings,

trimming the sidewalks, and using a weedeater, for example.

A **performance work statement** does not tell the contractor “how” to do the work. It does, however, include a means of determining whether the work has been acceptably performed. Thus, a PWS requirement to cut the grass would be expressed as “cut grass so as to meet the level of appearance and cleanliness as defined.” The “how” would be left up to the contractor to determine.

A SOO identifies the top level program and/or contract objectives by stating in broad terms, what the government needs and when the government needs it, but not how to accomplish the task. This approach gives offerors the flexibility to develop cost effective solutions, with the opportunity to propose innovative alternatives that meet those objectives. SOOs attempt to minimize the use of military specifications and standards and eliminate statutory, regulatory, or management policy document citations. The contractor is encouraged to use his expertise and innovation in his proposal. Government evaluators, therefore, must be flexible in their expectations of proposals received in response to a SOO. Use of guide specifications, draft RFPs, or contractor developed SOWs all encourage a dialogue and environment for contractors and the government to think creatively, exercise flexibility and innovation.

DEVELOPING THE PERFORMANCE WORK STATEMENT (PWS) AND QUALITY ASSURANCE SURVEILLANCE PLAN (QASP)

There are specific responsibilities for the development of PWSs. The primary responsibility for writing the PWS rests with the functional head of the commercial activity. This person should be considered the team leader, exercising authority and responsibility for the function that will be under contract. Functional persons state the service that will be

delivered, measure the quality of service, and accept the service. The contracting office:

- assists in PWS development using AFMAN 64-108
- reviews the PWS for accuracy and completeness;
- awards the contract; and enforces its provisions.

The Manpower office assists in PWS development and performs cost studies required by OMB Circular A-76. The development of a quality PWS requires a team approach; it is critical to the process that the most qualified persons available write the PWS and the QASP.

PWS development does not have to be started from scratch. There are completed PWSs for practically every commercial function and there are organizations that are consolidating and making them available for use. Contact one of these organizations before

starting a job analysis. The first contact should be made with the MAJCOM functional area chief representative to see if there is an existing USAF or MAJCOM standardized PWS and QASP. AFMAN 64-108, paragraph 1.5 assigns the responsibility of developing, and maintaining standardized PWSs and QASPs to USAF and MAJCOM functional areas for recurring service requirements that affect more than one MAJCOM or installation. A second source of PWSs is AFMEA, located at Randolph AFB, TX. They have responsibility as outlined in AFM 38-203 for maintaining a library of PWSs for commercial activity use. The Air Force Civil Engineer Support Agency (AFCESA) also maintains a library of Civil Engineer PWSs and points of contact available on the World Wide Web. Other DoD services such as the Navy also maintain a variety of PWSs for use. The Navy has PWS examples at the Southwest Navy Engineering Division, Charleston S.C.

DEVELOPING THE PWS

The FAR, DFARS, and AFFARS have references that relate to SOW/PWS development. The following chart outlines these references. AFMAN 64-108 is the real source for detailed information on the preparation of PWSs which will be covered in greater detail in this chapter.

POLICIES

FAR	DFARS	AFFARS	SUBJECT
5.204	---	---	Synopsis requirements for presolicitation notices.
7.304	---	---	Work statement development
11.001 11.002 11.101 11.402-403 11.7	211.270.1	---	Definitions, Policy, Order of precedence for requirements documents, Delivery schedules, Variation in Quantity
12.204	---	---	Commercial contract quality assurance
14.207 14.5	---	---	Pre-bid conferences Two-step sealed bidding
15.404 15.405	---	---	Presolicitation notices, conferences, and draft RFPs. Solicitation for information or planning purposes
19.202-1	219.202-1	---	Encourage small business participation; tailor requirements to their capabilities.
46.1 46.2 46.3 46.401-46.402 46.403	246.101 --- --- --- ---	--- --- --- --- ---	Definition and general data. Inspection and acceptance requirements
---	246.470	---	Government quality assurance actions
52.215-3	---	---	Solicitations for information or planning purposes
52.246-4 53.246-5	---	---	Inspection of Services-Fixed Price Inspection of Services - Cost Reimbursement
52-246-16	---	---	Responsibilities for Supplies
---	---	AFM 64-108	Base Level Service Contracts
		AFI 63-504	Quality Assurance Evaluator Program

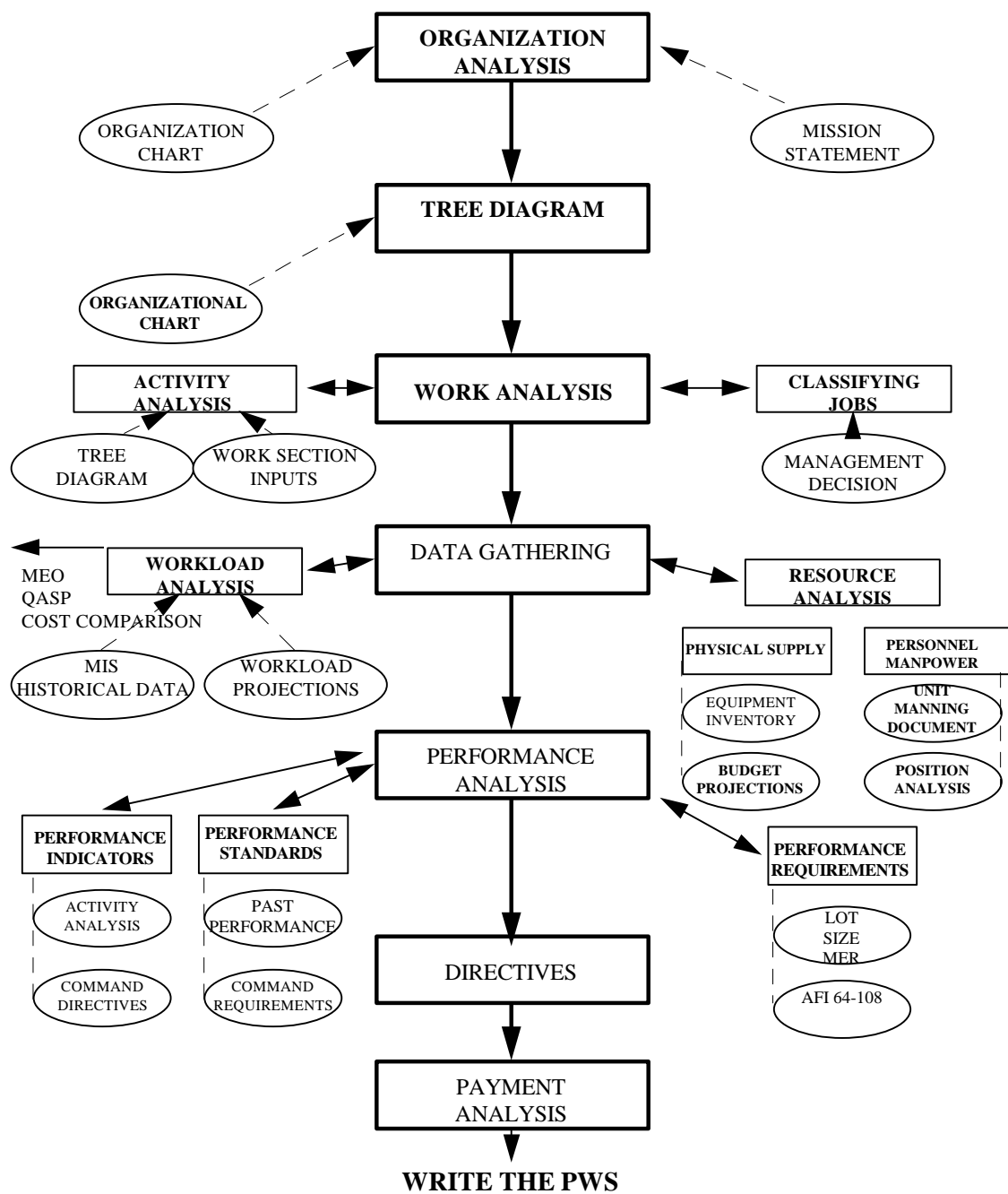
The PWS and the QASP are written by the requiring activity. The development and writing of the PWS and QASP are broken down into sequential phases. PWS development is subdivided into three

steps; (1) job analysis, (2) writing the PWS, and (3) writing the quality assurance surveillance plan. A well developed and written PWS and QASP result only from thorough analysis and adherence to the basic principles. AFM 64-108 provides step by step procedures for developing both the PWS and the QASP.

Job analysis is the step by step review of the requirement to arrive at the specific output (services and associated standards). AFMAN 64-108 breaks job analysis into several steps and substeps. We will discuss each of following steps in detail to give you a better understanding of the job analysis process so you will be prepared to provide assistance to the functional area in PWS development .

- (1) Organizational Analysis
- (2) Tree Diagram
- (3) Work Analysis
- (4) Data Gathering
- (5) Performance Analysis (Performance Criteria)
- (6) Directives
- (7) Costs (Payment Analysis)

PERFORMANCE WORK STATEMENT DEVELOPMENT FLOWCHART



Job Analysis

Organizational Analysis	Organizational analysis reviews the structure of the organization along with the services it provides. Be specific when identifying the services provided. This information is the basis for writing the PWS, developing standards, defining performance indicators, and identifying performance requirements. To obtain the information for the organizational analysis, review the current organizational chart and mission statements for each element of the organization.
Tree Diagram	A tree diagram is the tool used to provide a visual representation of a major function performed by a system (organization) that shows its parts and subparts. It also links the services together in a logical flow of activities. Take the information from the organizational analysis to begin building the tree diagram.
Work Analysis	<p>Work analysis consists of activity analysis and classifying jobs. We will begin with activity analysis. Activity analysis is looking at the work process which is broken into three parts.</p> <ul style="list-style-type: none"> • Input - What starts a job. • Work - Steps (in sequence) required to do the job. • Output - Results of the work (items or services) <p>Activity analysis is accomplished for each numbered box in the tree diagram. Complete the analysis in as much detail as possible.</p> <p>Classifying jobs requires the analyst along with management to review the outputs (services) identified in the activity analysis and determine which of the jobs in the organization will be contracted out. For those services that will stay in-house no further analysis is needed.</p>
Data Gathering	<p>Once services to be furnished under the contract have been identified, start gathering data. Gathering data includes workload analysis and resource analysis.</p> <p>Workload analysis consists of finding out how often a service is performed during a contract period. Use historical information taken from management information systems and reports but update it to include any projected changes to give you an estimate of the frequency of service. Record the data as shown below for each service identified. The workload analysis information gathered is used to:</p> <ul style="list-style-type: none"> • build the QASP; • structure the Government cost comparison; • analyze contractors proposals; and • assist in developing Technical Exhibit 2 of the PWS, Workload Estimates, if required; • provide information to potential contractors to aid in the understanding of the contract workload requirements <p>The next step in gathering data is resource analysis. Resource analysis includes the analysis of physical and personnel resources required to provide a service. Physical analysis is the gathering of information to find out what facilities, equipment and materials are needed to perform the service. Once you determine what physical resources are required, then you must determine who will be required to provide them, the contractor or the government. As a general rule, the contractor should provide them. Sometimes, items to be furnished to the contractor may not be provided throughout the contract period (existing material, for example, provided to the contractor as initial inventory may not be</p>

	<p>furnished by the government when replenishment is required). Record your data on physical resources. This information will be used to develop the listing of government-furnished property in the PWS and is necessary to prepare the government estimate.</p> <p>In addition to physical resources, you must take a look at the personnel resources that are required to perform a service. This data can be obtained from manpower documents and current staffing levels. As a word of caution, you must extract data from these sources to provide the personnel requirements that are needed for each service, not a combination of services. This information will be used again in developing the government estimate and, if required, to evaluate contractor's proposals.</p>
<p>Performance analysis, also known as performance criteria analysis</p>	<p>Helps you in decide how to measure the service, and decide what standards and performance requirements will apply. In this step we will be looking at three areas:</p> <ul style="list-style-type: none"> • Performance Indicators - A characteristic of an output that can be measured • Performance Standard - Something against which another thing can be measured • Performance Requirement - Point that divides acceptable from unacceptable performance. <p>To determine performance indicators, review each of the jobs identified in activity analysis (to be contracted out) and determine what elements (indicators) will help measure the output quality. An example of an indicator is using the response time for emergency road service. Check command directives. In many cases they specify the performance indicators for the evaluation of a process. If your command does not specify an indicator, then work with management in selecting one indicator per service that is real and indicative of the acceptability of the output.</p> <p>Selecting a performance standard is important because the standards selected will directly impact the cost of the service. So, with the help of management, find one reasonable standard that takes into consideration:</p> <ul style="list-style-type: none"> • the criticality of the service to be provided, and • the minimum needs of the government for the service. <p>For every task standard, there must be a point that divides acceptable from unacceptable performance. A maximum error rate (MER) is used when the method of surveillance is other than random sample or a performance requirement when method of surveillance is random sampling. Also, this dividing point is important because it directly affects the price of the service and amount of quality assurance surveillance needed. The MER or performance requirement selection is based on information gathered from past performance records, the consensus of management, or command directed requirements. This rate should rarely be zero.</p>
<p>Directives</p>	<p>The analysis of directives is broken into two parts.</p> <ul style="list-style-type: none"> • The first part, cataloging directives is listing all manuals, regulations, instructions, technical orders, and other AF, MAJCOM and base directives or guidance that pertain to the services to be performed. It is important when listing the directives to annotate the title and date of publication, and if only part of publication applies, note it. • The second part of analyzing directives is determining the applicability of the directives to a contracted out operation. We must remember that in the majority of cases the AF is not concerned with how the services are

	<p>performed, but rather the results. Therefore, only those directives that must absolutely be followed for mission accomplishment should be included as mandatory in the PWS. There are some publications in your list that may contain data that is beneficial to the service in question or ancillary services not included in the instant service but affect it in some manner. Include these publications or parts of publications in the PWS as advisory to provide information to the contractor.</p>
Payment Analysis	<p>The final step in the job analysis is payment analysis. Payment analysis is a process by which we can determine the cost of the services received. The “Inspection of Services” clause provides the government the right to reduce a contract payment to a contractor for not satisfactorily performing. However, to legally reduce the contract payment (deduct) it must correlate to the price of the service not performed. This is why payment analysis is done.</p> <p>To accomplish payment analysis, you will need to go back to some of the earlier data collected (the tree diagram, personnel resource analysis, etc.). First list each service (identified to be contracted out) down to its smallest part. For each of these services (subtasks only if the task has several parts), the number of personnel needed to do the service must be identified. Adjustments to the number of personnel identified during the personnel resource analysis may be necessary depending on the performance standards and requirements selected. Remember performance standards and requirements do impact the number of personnel it takes to perform a task. Once this has been accomplished, adjust the staffing and payroll costs that a contractor would probably use to perform the services. Department of Labor Service Contract Wage Rate Determinations will help in this adjustment.</p>

RESPONSIBILITY FOR WRITING PERFORMANCE WORK STATEMENT

A proposed contract effort must be viewed in a systematic way to arrive at an output, or PWS, and a means of measuring the service. The Air Force policy in service contracting is to ensure that the PWS for a service contract includes the standards of performance and performance requirements.

If job analysis has been done properly, the concurrent writing task should be relatively easy. Concurrency means that neither task is truly independent. What is written into the PWS influences what is put into the surveillance plan. Likewise, the surveillance plan forces the writer to make sure that outputs and procedures in the PWS are measurable.

AFMAN 64-108, attachment 2, provides the basic guidelines on formatting the PWS.

Whether you have an existing PWS from an ongoing contract or a standardized PWS from HQ USAF or MAJCOM, functional areas should go through the job analysis process. By accomplishing the job analysis you will be able to identify changes that will need to be made to the PWS based on your base’s requirements. **Each** section of the PWS and QASP will need to be reviewed and changes made based the your job analysis. Also, before exercise of an option year to the contract, you must review your job analysis and modifications on the current contract for changes.

PWS IDENTIFIED PROBLEMS

Job analysis is performed as an initial step in the process of writing a PWS and QASP. If done properly, the concurrent writing task should be relatively easy. When writing the PWS consider potential problem areas that may result. Take the time to review these potential problem areas and eliminate them before the PWS is released to offerors

- assist functional personnel early. Don't wait until the PWS is submitted to help them;
- develop realistic suspenses for receipt of documentation, and ensure that the functional area understands the reasons behind the suspense;
- eliminate poorly written and ambiguous terms;
- express the desired output in clear, simple, concise, and legally enforceable terms.
- ensure data is correct;
- identify Government Furnished Property, Equipment, and Materials;
- identify Contractor Furnished Property, Equipment, and Materials; and
- ensure packages, including technical exhibits, attachments, and review documents are complete, as required by AFMAN 64-108

Use a format that presents the specified tasks in an easy to understand manner. Include exhibits that will help convey the requirement to the contractor. Identify those outputs that are critical and should be a part of the performance requirements summary (PRS). Additionally, the performance indicators and information sources for surveillance of these outputs need to be identified to determine the method of surveillance to be used.

REVIEW OF THE PWS

The following list of questions will help you in your review of the PWS. The format that the PWS should follow is in AFMAN 64-108, attachment 1.

General Section (C-1)

Examine the **General Section (C-1)** of the PWS to see if it provides an adequate overview of the PWS.

- Is there a brief summary of what the function is and the location at which it is to be performed (Scope of Work)?
- Are personnel matters addressed, including the role of a contract manager and any special requirements of personnel (e.g. uniforms, name tags, security requirements, certifications or licensing requirement, specialized training)?
- Are requirements for the contractor to provide quality control addressed?
- Are the government's quality assurance methods addressed?
- Are Performance Evaluation meeting requirements addressed?
- Are Physical security requirements addressed (e.g. key control, lock combinations)?
- Are hours of operation specified, including normal duty hours and a list of federal holidays?
- If applicable are requirements to support emergencies and contingencies outside normal duty hours addressed?
- Are the requirements for conservation of utilities addressed along with any environmental and hazardous material handling?
- Is the requirement for records addressed?
- Has the General Section C-1 provided a satisfactory overview of the PWS?

Definitions section(C-2)

Examine the **Definitions section(C-2)** to see whether or not it establishes adequate common meanings for activities, concepts and terms used throughout the PWS:

- Are the General Definitions in AFMAN 64-108 listed?
- Are all special terms in the PWS (including technical exhibits) defined so that they are readily understandable?
- Have all acronyms, abbreviations or special terms been clearly defined?
- Have the terms used in the specific tasks section (C-5) been clearly defined?
- A good definition should not contain the word being defined. Are all the definitions in this section adequate?

Government Furnished Property and Services Section (C-3)

Examine **Government Furnished Property and Services Section (C-3)** to see if it adequately describes the facilities, equipment, materials and services which will be provided to the contractor. The information for this section is obtained from the job analysis under resource analysis phase. The decision to offer or not offer government property to a contractor shall be determined by a cost-benefit analysis justifying that the decision is in the best interest of the Government. This decision must be supported by current, accurate, complete information. The cost-benefit analysis is not part of the PWS. However, any government furnished property and services contained in the PWS must be supported by the analysis and should be accomplished during job analysis:

- Are there any omissions of materials or services mentioned elsewhere in the PWS (especially in Section C-5, Specific Tasks) which should be included?
- If equipment is to be supplied, has responsibility been assigned for its maintenance or, if necessary replacement?
- For materials and equipment, has adequate provision been made for accountability and stewardship of government property by providing for and initial and closing inventory?
- If property or facilities will be supplied, have provisions for possible alterations been made?
- For property and facilities, have acceptable conditions and standards been set for return to the government after use by the contractor?
- Has use by the contractor of any property which is leased by the government been addressed?
- Are any government furnished property, equipment or services listed in the PWS (e.g., materials or utilities consistent with any Government furnished materials) listed in the contract solicitation document?

Contractor Furnished Items and Services (Section C-4)

Examine the section on **Contractor Furnished Items and Services (Section C-4)**. It is not necessary that this list include all the items which the contractor will use, but only those specific items which may be essential to the function and which may therefore require mentioning. Excessive direction for items to be used should be avoided, since contractors may come up with different and perhaps more efficient means of performing the function. A general statement to the effect that the contractor shall furnish everything except for those services or items furnished by the government in section C-3 is normally sufficient.

- Does this section adequately describe the categories of items that the contractor will supply (materials, tools, equipment, etc.)?
- Is there any duplication of property furnished by the government?
- If any other quality standards are required, have they been adequately specified?
- If it would be unreasonable to expect a contractor to replace an item due to high cost or uncertain usage patterns, has provision been made for government reimbursement?

Specific Tasks (section C-5)

Examine **Specific Tasks (section C-5)** to ensure the specific tasks correlate to the scope of work. Has the function as a whole and its major tasks and subtasks been broken down sufficiently so that the scope of work is reasonably clear? This section is written primarily from the activity analysis worksheet done during development of the PWS. The activity description at the top of the worksheet is used as the introduction to the tasking. NOTE: Responding to these questions may require consulting with a functional OPR:

- Have the desired outputs been clearly stated for each job activity, so that the expectations of those responsible for the function are clearly described?
- Can the tasks and materials be measured in terms of type, quantity, and time required, etc.?
- Is the data clear and does it provide an acceptable basis for an estimate?
- Do workload estimates in Technical Exhibit 2 support the specific tasks?
- Have duty hours for completing any specific tasks been spelled out?
- Are the times for performing specific tasks consistent with any times of performance listed in the contract solicitation?
- If a regulation or directive is referenced identifying what is to be done, is it specific as to where it can be found? (chapter, page number, section or paragraph number, etc.)?
- Could any procedures specified in referenced regulations or directives more appropriately be expressed with a performance requirement, thereby leaving the procedure for obtaining specified results to the contractor's discretion?
- Could the requirement in any referenced regulations be extracted and included in the PWS so referencing could be eliminated?
- If any regulations or directives are required, does the package state where potential contractors may locate them?

Section C-6, Applicable Publications and Forms

Examine **Section C-6, Applicable Publications and Forms**, to see if all directives or forms are referenced. The information listed in this section comes from the directives analysis done during job analysis.

- Have all the directives referenced in the PWS been listed by title and date?
- Are there are directives contained in the list which are not listed in the PWS?
- Has the responsibility for obtaining any future editions, supplements, amendments, or changes to the these directives been assigned to either the contractor or the government?
- Has provision been made for changes in directives which would result in a change of contract price, whether and increase or decrease?
- Are all Government or Air Force forms which must be used listed?

Technical Exhibits Section

Examine the **Technical Exhibits section** for agreement with the PWS. Technical exhibits may include performance requirements summaries, workload estimates, maps and work area layouts, required reports, descriptions of government furnished items, quality standards, performance requirements table or any other technical materials in support of the PWS.

- Are the technical exhibits sequentially ordered in the same order as referenced in the PWS?
- Are any cross references in technical exhibits consistent with cited sections of the PWS?
- Are there are references in the PWS to technical exhibits which cannot be found in the technical exhibit section?
- Is the Performance Requirements Summary (PRS), complete in showing a maximum payment percentage for meeting a performance requirement for those items surveyed by random sampling or 100 %?

Note: When reviewing the PWS for exercise of an option period be sure to review all modifications to ensure the job analysis and PWS are also modified to reflect the changes made.

THE QUALITY ASSURANCE SURVEILLANCE PLAN

QASP Development

The Quality Assurance Surveillance Plan, if properly constructed, provides the QAE with an effective tool for surveying the contractor's performance. After a QASP has been created and approved, you should remember that changes become the joint responsibility of the FAC and the administrative contracting officer.

The QASP may employ a variety of surveillance techniques (e.g., random sampling, 100% inspection, etc.). One of the key objectives of the QASP, per AFM 64-108, is to ensure the government receives acceptable contractor performance against contractual requirements in determining conformity with technical requirements of the contract. This objective is based on the premise that the contractor is responsible for management and quality control of the contract, not the Government. Therefore, minimum surveillance of the contractor is required only to ensure contractor adherence to contract terms and payment is authorized for services actually received. Remember, the method of surveillance you will use for a particular contract must be determined in conjunction with PWS development. The organization receiving the service needs to understand which surveillance method will best fulfill its needs. For this reason, teamwork between contracting and the technical requirements personnel is necessary when planning the requirement. Quality assurance surveillance should be based on (1) criticality of service or task and (2) the resources available to accomplish the surveillance. When surveillance is governed by other Air Force AFIs or higher level regulations, QASP contents must comply with those AFIs or regulations. For all others, the QASP must contain Sampling Guides and if desired, Quality Assurance Decision Tables. Below is the suggested content for the QASP. Asterisked items are discussed in detail below.

- QASP Introduction and Instructions
- QAE responsibilities

- Identification of surveillance techniques
- Key actions and dates
- Listing of GFP procedures
- Establishing procedures for verifying contractor provided items.
- Sampling Guides (arrange in the PRS order)
- QAE Decision Tables
- Sample of surveillance checklist
- Sample monthly schedule
- *List non-PRS items subject to observation
- *Customer complaint procedures and training instructions
- Sampling tools, random number chart, etc.

Inspection of Non-PRS items.

The government retains the right to inspect required tasks not shown on the PRS (Inspection of Services clause). Inspect these services in the same general manner as periodic checklist items mention earlier in the QASP. The results of these inspections are documented and, if necessary, provided to the CO for action. The CO will handle each documented discrepancy on a case by case basis.

Although not a requirement of the QASP, it would be a good idea to list those non-PRS items to ensure they are observed periodically during the contract year. Remember, when trying to determine how often to observe the non-PRS items, that there was a reason that the requirement was not put on the PRS table, such as not having enough manpower value (inspection costs outweighing the cost of the task) to be included on the PRS. Examples of some possible non-PRS items include:

- Review contractor's quality control plan and inspection records;
- Review contractor's key control plan;
- Review yearly inventories of government furnished facilities, equipment or material; and
- Review employee identification badges, uniform etc.

Customer Complaint Training

Customer complaint is another area that should be covered in the QASP to ensure it is accomplished. The QAE is required to furnish written instructions and customer training to each organization that uses this method of

surveillance. In the QASP, identify how often training will be accomplished and what the training will include. Also, it is a good idea to include customer complaint training on the QAE schedule because it provides an audit trail and a way for the FAC and the CO know training is being accomplished.

SIGNIFICANT MANPOWER FUNCTIONS

MEO: MOST EFFICIENT & COST EFFECTIVE ORGANIZATION

The Most Efficient Organization (MEO), as defined by the cost comparison management study, is the organizational structure and minimum civilian resources that best meet the performance requirements of the PWS. The MEO is the primary section in the management study which summarizes the civilian personnel required to perform the work stated in the PWS. Manpower uses a variety of management techniques to complete the MEO. The key requirement of the MEO is that it is traceable to the PWS and is based on the same workload. Verification will be determined by comparing the documentation of the management study and linking it to the PWS.

MANAGEMENT STUDY

The document for the development of the in-house estimate is the management study (MS). The MS draws data for its development from many sources including the PWS. The development of the PWS impacts development of other commercial activities documents such as the cost comparison, which is the foundation for either performance by a contractor or the streamlining of the functional processes by in-house resources.

A CA management study is designed to establish the MEO needed to accomplish the requirements defined in the PWS for the functional area. This includes management recommendations for the optimum organizational structure.

The objective of the management study team is to find new, innovative and creative ways to provide the required products or services in a cost effective manner. The MS is mandatory for all cost comparisons. The study shall identify essential functions to be performed, determine performance factors, organization structure, staffing, and operating procedures for the most efficient and cost effective in-house performance of the CA. The MEO becomes the foundation of the

government estimate for the cost comparison with potential contractors.

MANAGEMENT STUDY PLANNING

Careful planning is essential for management study development. The first step is the establishment of a team consisting of contracting, functional area representatives, manpower service representatives, and legal. Manpower technical expertise may be required in the fields of management analysis, staffing, position classification, work measurement, value engineering, industrial engineering, and cost analysis. In addition, the team shall solicit employees of the CA and the union for recommendations on the study early in the process. This will optimize the efforts of the study team and help ensure successful completion of the study.

The management study should start with an overall plan that includes a discussion of the milestones of the study, the methodology for conducting the study, and the expected end-product.

The CA management study process can be grouped into five major steps or phases:

- Plan the study;
- Conduct the study;
- Review the study;
- Present the study; and
- Implement the study

The study plan should show the sequence of steps in the study, as well as the amount of time planned for each. The schedule should be a time-phased program of the events of the study. Timing may be a critical factor. The MS is linked with the PWS. If the PWS is not complete, delays may be encountered. A milestone chart showing completion of these major requirements will be helpful in identifying potential bottlenecks in the process.

Contact organizations that have experience with the management study to determine what is the optimal preparation period. Historical records and experience will provide accurate information to make a sound technical estimate. The contracting office requires fairly accurate milestones so the acquisition process can be started.

CONDUCTING THE STUDY

The actual study consists of collecting and analyzing data and developing conclusions and recommendations. The collection and analysis of the data is normally accomplished with the aid of one or more specialized techniques. AFP 26-12 describes the organization of the management study. It is broken out as follows:

- Current operations of the function;
- Discussion of organization and operation;
- Recommendations; and
- Analysis of resource inputs.

Read AFP 26-12 for specific information in each of these sections.

INFORMATION SOURCES

Air Force publications outline specific requirements for the development of the management study, consult the following publications:

AFP 26-12 Chapter 9
AFR 173-14 Chapter 3

GOVERNMENT COST ESTIMATE

The in-house cost estimate is the in-house cost of performance based on the MEO. It is the government bid for the work contained in the PWS and entails the cost of manpower, supplies, equipment, overhead and all other costs required by the MEO. The automated OMB Circular Cost Comparison System (COMPARE) and instructions in the COMPARE Operating Handbook will be used to by the servicing manpower office to develop these estimates. The computer software automates development of the government cost estimate using the OMB Circular A-76 cost comparison procedures. It was developed to

document, and compare the relative costs of operating commercial activities in-house and by contract.

Before using the COMPARE program during the cost comparison, there are two process steps that must be completed:

- Complete the PWS and the MEO. The PWS and MEO are used to develop the Government's cost estimate and form the basis for cost calculations. Note: The MEO is not required for cost estimates prepared for direct in-house to contract conversions.
- Ensure that the "Study Tables" in the COMPARE program reflect current salary, hourly wages, military composite rates, and inflation factors.

Once these two steps are completed, the Government's cost estimate can easily be prepared using the program. Information from the MEO and PWS will provide personnel, equipment and supply data that COMPARE will use to make all necessary calculations resulting in the Government's cost estimate. If an MEO is not required, personnel, equipment and supply data can be taken from the data gathered during the Job Analysis phase of developing the PWS.

ACQUISITION PROCESS

ACQUISITION STRATEGY PLANNING

One of the keys to success in contracting for your customer's requirement is proper planning. "Acquisition planning", as defined by the FAR, means the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost. It includes developing the overall strategy for managing the acquisition.

Acquisition planning should begin as soon as the agency need is identified. Acquisition strategy panels (ASPs) are required for formal source selections, but MAJCOMs determine their policy for use of an ASP at the operational level. The panel is a excellent tool in the cost comparison study to ensure a systematic and disciplined approach to achieve an efficient/effective acquisition. An acquisition strategy panel normally includes members from:

- Contracting (chairperson);
- Legal;
- Using organization;
- Finance;
- Manpower (if cost comparison or direct conversion); and
- Other agencies as determined necessary by the contracting office.

A successful ASP will open the lines of communication and provide the parties involved with an understanding of the requiring activity's needs and the contracting process. Items to be considered by the ASP include:

- Discussion of the requirement(s);
- Solicitation type/contract type best suited for the requirement(s);

- PWS and QASP requirements and reviews;
- Funding considerations;
- Establishment of acquisition milestones;
- Cost comparison study/direct conversion requirements and milestones (if applicable to the acquisition); and
- Small Business and Set-aside concerns

PRE-SOLICITATION

Synopses (FAR 5)

It is Government policy to publicize contract actions in order to increase competition, broaden industry participation in meeting Government requirements, and help small business concerns obtain contracts and subcontracts. The Commerce Business Daily (CBD) is the public notification media used by government agencies to identify proposed contract actions and contract awards. A synopsis in the CBD ensures broad dissemination of these actions and awards. Contracting officers must make all reasonable efforts to identify commercial sources when performing a cost comparison study. The contracting officer shall not conclude there are no commercial sources capable of providing the required supplies or services until publicizing the requirement in the CBD at least three times in a 90 calendar-day period, with a minimum of 30 calendar days between each. When necessary to meet an urgent requirement, this may be limited to a total of two publications in the CBD in a 30 calendar-day period, with a minimum of 15 calendar days between each. Contracting officers must ensure all synopses state that the solicitation will not result in a contract if government performance is determined to be more advantageous.

<i>Note: It is not necessary to synopsize three times in a 90 day period once a reasonable number of potential sources are identified</i>

through the first or second synopsis (FAR 7.303)

QAE Appointments

Appointment of QAE's is the responsibility of the functional area. They should be appointed as **early** in the acquisition cycle as possible. This will enable them to actively participate in the requirements definition process and the administration associated with contracting activities prior to award. Ideally, the QAE should be responsible for preparing the PWS and QASP, as well as performing surveillance. In all cases, appointment must be no later than 90 days before contract start. Nominations and appointments must be in writing. Nomination letters, or documentation to support appointment, must contain as a minimum:

- Qualifications and retainability of the individual;
- Training provided, or to be provided, to the individual;
- Justification for nomination and appointment of an individual who does not meet the qualifications in chapter six of AFMAN 64-108
- Statement that the nominee's records have been reviewed and that he or she appears suitable for QAE duties;
- Statement that the nominee or appointee does not have and will not be given other duties that will interfere with their QAE duties, and that QAE duties must come first;
- Statement that performance of QAE duties is a critical element on civilian appraisals when civilians are appointed as QAEs.

Listed below are the QAE qualifications and nomination/appointment criteria taken from AFMAN 64-108 and AFI 64-504:

- Must have technical knowledge and experience in the area to be contracted that is sufficient to permit them to observe contractor performance and to determine whether the service does or does not meet the contract standards;

- Should have enough retainability to perform surveillance until contract completion; and
- Must know, understand, and comply with FAR Part 3, 5 C.F.R. Part 2635, AFP 70-1 and AFMAN 64-108.

QAE Manning

AFI 63-504, Chapter 2, describes responsibilities for identifying QAE manning requirements for service contracts. QAE requirements for service contracts resulting from cost comparison are further covered in AFP 26-12.

Wage Determinations

A wage determination is a determination of minimum wages and fringe benefits applicable to the employment in a given locality of one or more classes of service employees. The Services Contract Act of 1965, as amended, states that service contracts over \$2,500 shall contain mandatory provisions regarding minimum wages and fringe benefits, safe and sanitary working conditions, notification to employees of the minimum allowable compensation, and equivalent federal employee classifications and wage rates. An SF 98, Notice of Intention to Make a Service Contract and Response to Notice, is the method used by the contracting office when requesting a wage determination from the Department of Labor. (See FAR 22.10) However, this wage information can now be accessed on-line through the SAF/AQC homepage for those with access to the internet. The blanket determinations currently on-line may be used, if applicable, but must use the high fringe rates. (See attachment 1)

The Davis-Bacon Act (40 U.S.C. 276a--276a-7) provides that contracts in excess of \$2,000 to which the United States or the District of Columbia is a party for construction, alteration, or repair (including painting and decorating) of public buildings or public works within the United States, shall contain a clause that no laborer or mechanic employed directly upon the site of the work

shall receive less than the prevailing wage rates as determined by the Secretary of Labor. If the Davis Bacon Act (construction) wage rates are required and there are no published wage rates for the required categories, an SF 308, Request for Wage Determination and Response, will be requested. (FAR 22.403)

In an effort to streamline the receipt of Wage Decisions, the Department of Labor has Davis Bacon wage decisions available on-line for most areas. The wage decisions can be accessed through AQC Home Page. (See attachment 1.)

SOLICITATION

The solicitation is the medium used by the contracting office to communicate government requirements to prospective contractors and solicit proposals, quotations or bids from them. As such, solicitations must contain the information necessary to enable prospective contractors to prepare proposals, quotations or bids properly. Solicitations must be based on the PWS prepared by the functional activity in conjunction with Manpower and Contracting.

Firm offers/bids are required for the period covered by the cost comparison, by using a base contract period and any applicable priced options to total the amount of time represented by the cost estimate for government performance.

The confidentiality of the cost estimate for government performance, and the bids in sealed-bid cost comparisons, will be closely guarded until the time of bid opening, to ensure that they are completely independent. For cost comparisons conducted using the results of negotiation procedures, confidentiality and independence will be maintained until after negotiations are completed and the most advantageous offer has been selected.

Personnel with knowledge of the cost figures in the cost estimate for government performance will not participate in the offer-evaluation process unless the contract file is

documented to show that no other qualified personnel were available.

The method of contracting selected, (Invitations for Bids, Request for Proposals, Source Selection, Best Value, etc.), will determine the length, complexity, and the personnel resources to be involved in the acquisition process.

METHODS OF PROCUREMENT

All competitive methods of Federal procurement provided by the FAR are appropriate for cost comparisons conducted under OMB Circular COST COMPARISON. Included are: Sealed bid, two-step, source selection and other competitive qualifications based on negotiated procurement techniques.

In selecting the method of procurement and contract type, the contracting officer analyzes the PWS and applies the guidance contained in OFPP Policy Letter 91-2 (appendix 2), Service Contracting, and FAR Part 16.

Sealed bids (See FAR Part 14 for Procedures)

Sealed bids may be solicited when the following conditions apply:

- Time permits the solicitation, submission, and evaluation of sealed bids;
- The award will be made on the basis of price and other price-related factors;
- It is not necessary to conduct discussions with the responding offerors about their bids;
- There is a reasonable expectation of receiving more than one sealed bid.

At the public bid opening, after recording of bids, the contracting officer shall--

- Open the sealed cost comparison on which the cost estimate for government performance has been entered;

- Enter on the cost comparison form the price of the apparent low bidder;
- Announce the result, based on the initial cost comparison form, stating that this result is subject to required agency processing, including evaluation for responsiveness and responsibility, completion and audit of the cost comparison form, and resolution of any requests for review under the appeals procedure;
- State that no final determination for performance by the Government or under contract will be made during the public review period specified in the solicitation (at least 15 working days, up to a maximum of 30 working days if the contracting officer considers the action to be complex; the public review period begins when the documents identified below are available to interested parties), plus any additional time required for the appeals procedure; and
- Make the abstract of bids, completed cost comparison form, and detailed data supporting the cost estimate for Government performance available for public review by interested parties.

After evaluation of bids and determinations of responsibility, the contracting officer shall provide the price of the low responsive, responsible bidder to the preparer of the cost estimate for government performance, for final government review of the cost comparison form.

Upon completion of the review process, including resolution of any request under FAR 7.307, the responsible agency official shall make the final determination for performance by the government or under contract and provide written notification to the contracting officer, who shall either award a contract or cancel the solicitation as required.

The contracting officer shall make the completed and approved cost comparison analysis available to interested parties upon request.

Competitive proposals. (See FAR Part 15 for procedures.)

- When sealed bids are not appropriate, contracting officers may request competitive proposals.
- Competitive proposals will be used for contracts to be made and performed outside the United States, its possessions, or Puerto Rico because it is generally necessary to conduct discussions with offerors relative to proposed contracts because of differences in areas such as law, regulations, and business practices. Competitive proposals will therefore be used for these contracts unless discussions are not required and the use of sealed bids is otherwise appropriate.

At closing date/time, the contracting officer will open the proposals, evaluate them, conduct negotiations, and select the most advantageous proposal in accordance with normal contracting procedures. The contracting officer will then, before public announcement, open the sealed government estimate and technical proposal in the presence of the preparer, enter the amount of the most advantageous proposal on the cost comparison form, and return the form to the preparer of the government cost estimate for completion. If discussions/negotiations were conducted, Best and Final Offers must first be received and evaluated before opening the government estimate. The preparer shall give due consideration to all types of costs which could add or subtract from the cost of either mode of performance

Combination of competitive procedures

If sealed bids are not appropriate, contracting officers may use any combination of competitive procedures (e.g., two-step sealed bidding, technically acceptable low bid).

Best Value Technique

When using negotiated procurement techniques in which "best value" rather than "low cost" will be the basis for selecting the private sector offeror to compete with the Government's offer, apply the following guidelines:

a. In addition to the PWS, Management Plan and in-house cost estimate, the Government, like the private sector offerors, shall submit the Technical Performance Plan (technical proposal) required by the solicitation, to the cost comparison Independent Review Officer (IRO). The Technical Performance Plan, reflects the MEO and is sealed prior to the consideration of any part of any private sector offer(s).

b. The Government conducts the source selection among the private sector offerors in accordance with the FAR, FAR supplements and the solicitation. The source selection authority (SSA) chooses that private sector offer which represents the "best overall value to the Government". The SSA shall document the rationale for the selection and explain any cost-technical tradeoff.

c. After the SSA chooses the competitive offer, the Contracting Officer submits Government's in-house Technical Performance Plan and Management Plan to the SSA. The SSA should assure that the Government's offer satisfies the requirements of the solicitation. The SSA evaluates the Government's Technical Performance Plan and assesses whether or not the same level of performance will be achieved as presented by the competitive offeror. If the SSA determines that the level of performance of the offer and the Government's offer are equivalent, then the contracting officer opens the Government's in-house cost estimate and, with the Manpower Office representative, completes the Cost comparison Form. If the level of performance in the two offers are not equivalent, then the SSA directs the Government to revise the Technical Performance Plan or the Management Plan or both to the same level of performance and performance quality of the best offer. The SSA should not review or have access to the in-house cost estimate.

d. The Government then resubmits a revised technical Performance Plan and/or

Management Plan for evaluation. If the SSA agrees that the Government's revised Technical Performance Plan and/or Management Plan will achieve the same level of performance and performance quality, the Government submits a revised in-house cost estimate to the IRO for validation. Once validated, the in-house cost estimate is submitted to the Contracting Officer. This will assure that the Government's in-house cost estimate is based upon the same performance levels as the best value private sector offer.

e. After selection of the best value competitive offer, and acceptance of the Government's offer with any revisions, the contracting officer opens the Government's in-house cost estimate and, with the Manpower Office representative, completes the Cost comparison Form to select the lowest cost offer, (i.e., the best value private sector offeror or the Government). The IRO then validates the cost comparison.

The key to this method is setting up and conducting evaluations in accordance with sections L and M of the solicitation. The evaluations must match the criteria outlined in these sections. (A sample of sections L and M is provided in appendix 4. This sample is current as of this date, and for example only).

Lowest Cost(Price) Technically Acceptable Selections

Lowest Cost Technically Acceptable Selection Procedures allows the Air Force to make award based on the lowest evaluated cost(price) after determining that all identified minimum mandatory criteria are satisfactorily met.

This method provides contracting officers a less complex and more timely way to award contracts that require evaluation of criteria for verification of contractor capabilities and standards.

The technical team establishes the evaluation criteria prior to beginning evaluation of offers. The evaluation plan should contain sufficient detail to justify a determination of minimum acceptability for each item or factor. Evaluation factors are

based on pass-fail thresholds of acceptability. Section M states that award will be made to the lowest evaluated cost offer that meets all the minimum mandatory criteria of the solicitation.

Government Cost Estimate

For solicitations involving contractor vs. Government performance, a Government Cost Estimate is required. The agency personnel who develop the cost estimate for Government performance will:

- Enter on a cost comparison form, the cost estimate and the other elements required to accomplish a cost comparison;
- Review the estimate for completeness and accuracy and have the estimate audited; and
- Submit to the contracting officer the completed form and all necessary detailed supporting data in a sealed, dated envelope, or electronic equivalent, not later than the time established for receipt of initial proposals or bid opening. If more time is needed to develop the Government's cost estimate, the contracting officer shall amend the opening date of the solicitation. In addition to the PWS, Management Plan, and In-House cost estimate, the Government, like the private sector offerors, shall submit a Technical Performance Plan if required by the solicitation. The Technical Performance Plan reflects the MEO and is sealed prior to the consideration of any part of any contract offer. (FAR 15.6)

Performance Under Contract

If the result of the cost comparison favors performance under contract and the responsible agency official approves the result, the contracting officer shall award a contract in accordance with agency procedures. Concurrently with the award, the contracting officer will publicly:

- Notify interested parties of the result of the cost comparison;
- Inform interested parties that the completed cost comparison form and detailed supporting data are available for review;
- Announce the contractor's name; and
- Advise interested parties that contractor preparations for performance are conditioned upon completion of the public review period specified in the solicitation plus any additional period required by the appeals procedure.

Performance In-House

If the result of the cost comparison favors government performance, the contracting officer will:

- Notify interested parties of the result of the cost comparison;
- Inform interested parties that the completed cost comparison form and detailed supporting data relative to the government cost estimate are available for public review;
- Announce the price of the offer most advantageous to the government; and
- Cancel the solicitation (MEO will be implemented by the Gov't)

The public review period shall begin with the contracting officer's announcement of the cost comparison result and availability of the cost comparison forms and detailed supporting data to interested parties. The review period shall last for the period specified in the solicitation (at least 15 working days, up to a maximum of 30 working days if the contracting officer considers the action to be complex). Upon completion of the public review period and resolution of any questions raised under FAR 7.307, the responsible agency official shall provide the contracting

officer written notification of the final cost comparison decision. The contracting officer shall then, give the contractor notice to commence, cancel the solicitation if being brought back in house, or award the contract as appropriate. (SEE FAR PART 7, 14, 15, OMB Circular No. A-76 Cost comparison.

ADMINISTRATIVE APPEALS

Administrative Appeals Procedures (AAPs) are intended to resolve questions from directly affected parties relating to determinations that result from cost comparisons performed according to AFP 26-12. The AAPs provide an administrative safeguard to ensure Air Force cost comparisons are conducted fairly, equitably, and according to the procedures outlined. The following guidelines are used to determine what constitutes an administrative appeal:

- Submitted by the offeror whose bid or proposal was compared to the in-house bid, or by a directly affected DoD civilian employee, or his or her representative organization;
- Received by the contracting officer in writing within the time specified in the solicitation;
- Addresses specific line items on the cost comparison, with rationale for questioning those items; and
- Shows that the result of the appeal may change the decision.

Upon receipt of an appeal, the contracting officer should immediately provide the appeal, a copy of the original cost comparison form, the solicitation package and all supporting documentation to the servicing Manpower office. The servicing Manpower office will determine whether the appeal meets all parameters to be considered an administrative appeal. If it does not, the appeal is returned to the appellant, through the contracting officer with an explanation covering which parameters were not met.

If the appeal meets all the parameters, a cost comparison administrative appeal review team will follow the guidelines in AFP 26-12 for resolution of the appeal. The team approving official's written decision along with information on requesting MAJCOM level reviews, is sent to the appellant through the contracting officer. If no MAJCOM-level appeal is requested, the contracting officer either cancels the solicitation or awards the contract, whichever is applicable. If a MAJCOM-level appeal is requested, the contracting officer must wait for the MAJCOM-level decision before canceling the solicitation or awarding the contract.

DEBRIEFINGS

What is a Debriefing?

A debriefing is a meeting between government personnel and an offeror after a contract has been awarded or after a competitive range determination. The purpose of the debriefing is:

- To explain the rationale for the contract award decision;
- To instill confidence that the offeror was treated fairly;
- To assure the offeror that proposals were evaluated in accordance with the solicitation and applicable laws and regulations;
- To identify weaknesses in the offeror's proposal so the offeror can prepare better proposals in future government procurements; and
- To reduce misunderstandings and protests.

What a debriefing is not

- A page-by-page analysis of the offeror's proposal;
- A comprehensive point-by-point comparison of the proposals of the

debriefed offeror and the successful offeror; or

- A debate or defense of the government's award decision or evaluation results.

New legislation has brought about major changes in the amount/type of information provided to offerors during debriefings. Debriefings are required if a competitive award is made and an offeror requests it in writing. The contractor is now told what the significant strengths and weaknesses of his or her proposal were. The evaluated cost/price and technical rating of the awardee and the debriefed offeror may be disclosed to the contractor to indicate his score relative to the winner. If an overall ranking is developed for all offerors, the contractor's rank should be disclosed to him/her during the debrief, however, a point by point comparison with any other offeror should not be accomplished. Additionally, the overall rationale for the award should be disclosed during debriefings to explain why the government made its choice.

During the debrief, contractors may be given reasonable responses to relevant questions regarding the source selection process, without disclosing actual details of the evaluations. Information normally exempt from release under the Freedom of Information ACT, (FOIA) will not be revealed.

The Process

FAR Subpart 15.1002 states that contracting officers must notify unsuccessful offerors within three days of contract award. A day means *calendar day*, except that the period will run until a day which is not Saturday, Sunday, or legal holiday. This does not apply to offerors who have already received pre-award notification that their offers will not receive further consideration. Notice can be made electronically or in writing: The notice consists of:

- Number of offerors solicited;
- Number of proposals received;

- Name and address of each successful offeror;
- Items, quantities and unit prices; and
- Reason offeror's proposal not accepted.

Offerors, both successful and unsuccessful, may request debriefings whenever the award is on the basis of competitive proposals, whether or not (1) the contracting officer conducted discussions, and (2) the award was on price and price-related factors alone.

Offerors should request debriefings within three days of notice of award. When practicable, requests received after three days should be accommodated. To the maximum extent practicable, debriefings should occur within five days after the request, and may be done orally, in writing, through electronic means, or any other method acceptable to the contracting officer. This opens up the process to any participating contractor who desires to increase his understanding of the process or improve future proposals. It also allows contractors to get a clearer picture of the evaluation and award process.

The contracting officer should conduct the debriefing, supported by the technical team responsible for the evaluations. This ensures the knowledgeable people who actually worked on the acquisition are available to answer questions. If the contracting officer is unavailable, another agency representative may be designated on a case-by-case basis, with the approval of an individual one level above the contracting officer.

Although the aim of this process is to release useful information to the contractors, there are certain limitations:

- The offeror is debriefed only on how the Government evaluated its proposal;
- Limited information on the successful proposal is provided to unsuccessful offerors; and
- No information on any other unsuccessful offeror's proposal is provided.

These limitations protect the competition-sensitive and proprietary information contained in the proposals. Within these limitations, the government must provide, as a minimum, information on:

- The significant advantages of the debriefed offeror's proposal;
- The Government's evaluation of the offeror's significant weaknesses or deficiencies, if applicable;
- The Government's total evaluated costs/prices and technical rating of the successful and debriefed offeror's proposal (Do **NOT** disclose the specific Government's cost adjustments to the awardee's proposed costs);
- The evaluation ratings of the debriefed offeror and awardee, but only to the second level of evaluation;
- The overall ranking of all offerors when any ranking was performed. (Do **NOT** reveal the proposed or evaluated costs/prices of the other unsuccessful offeror's proposals);
- A summary of the rationale for award; and
- Reasonable responses to relevant questions about whether the source selection procedures contained in the solicitation, applicable regulations, and other applicable authorities were followed.

This gives contractors additional data that allows them to understand why their proposal was not selected, and how they can be better prepared in the future. It also gives them more understanding of the evaluation and award process, and allows offerors the opportunity to ask questions and provide feedback to the process.

In order to protect the confidentiality of an offeror's proposal, the debriefing shall not provide point-by-point comparisons of the debriefed offeror's proposal with those of other offerors. The Government cannot reveal any

information exempt from release under the Freedom of Information Act, such as:

- Trade secrets;
- Privileged or confidential manufacturing processes and techniques;
- Commercial and financial information that is privileged or confidential, including cost breakdowns, profit, indirect cost rates, and similar information; and
- The names of individuals providing reference information about an offeror's past performance.

The contracting officer must prepare an official summary (memo for record), and include a copy of the script, if any, and a list of questions received and how they were answered. This document will serve as a source of information that may be used in the future to answer inquiries, support protest files, and provide material for "lessons learned".

If within one year of contract award, a protest causes the agency to issue a new solicitation or request for best and final offers (BAFOs), the agency must provide to all prospective offerors, information on the successful offeror's proposal provided in the debriefing, and other non-proprietary information that would have been provided to the original offerors. This will ensure that an offeror debriefed is not an offeror with an unfair competitive advantage.

Preaward Debriefings

When a contracting officer excludes an offeror submitting a proposal from the competitive range (or otherwise excludes such an offeror from further consideration prior to the final source selection decision), the excluded offeror may request in writing, within three days after the date on which the excluded offeror receives notice of its exclusion, a debriefing prior to award. The contracting officer shall make every effort to debrief the unsuccessful offeror as soon as practicable but may refuse the request for a debriefing if it is

not in the best interest of the Government to conduct a debriefing at that time.

The debriefing conducted under these circumstances shall include:

- The agency's evaluation of the significant elements in the offer;
- A summary of the rationale for the offeror's exclusion; and
- Reasonable responses to relevant questions posed by the debriefed offeror as to whether source selection procedures set forth in the solicitation, applicable regulations, and other applicable authorities were followed by the agency.

This type of debriefing may not disclose the number or identity of other offerors and shall not disclose information about the content, ranking, or evaluation of other offerors' proposals.

CONTRACT ADMINISTRATION

Contract administration involves many different areas that impact contractor performance, these include:

- Review of Contract Requirements
- QAE Appointments
- QAE and FAC Training
- Review of the Quality Assurance Surveillance Plan
- Preperformance Conference
- Progress Meeting
- Assessing QAE Surveillance and Labor Checks
- Modifications
- Exercise of Options
- Disputes
- Contract Close-out

Smart contract administration starts with understanding the terms of the contract. Ensure you thoroughly review all contract requirements. This should be done before conducting the preperformance conference and

training the QAEs. **Read and understand the contract.**

The following list of items shows contract requirements which should be suspended, for timely receipt:

- Bonds and or insurance requirements;
- Contractor's Quality Control Plan submission;
- Government Furnished Property, if provided; and
- Any other requirements listed in the contract.

Administration of a service contract includes ensuring the Air Force receives the quality of service paid for. AFMAN 64-108, Service Contracts, and AFI 64-504, Quality Assurance Evaluator Program, implement FAR requirements for quality assurance of service contracts. Contract administration duties in monitoring contractor performance include:

- Training and advising QAEs on general duties and specific requirements of contracts to which they are assigned;
- Advising and assisting commanders and FACs in preparing PWSs and QASPs, conducting surveillance, and all other related service contract matters;
- Informing the contractor of the name, duties, and limitations of all QAEs who will perform surveillance of the contractor's performance;
- Reviewing, in coordination with the FAC, QAE, or both, the contractor's quality control plan for adequacy and notifying the contractor of acceptability of the plan or deficiencies requiring corrective action.
NOTE: The contracting officer's acceptance of a contractor's QC plan does not relieve the contractor of the responsibility of complying with all the terms and provisions of the contract; and
- Periodically assessing QAE performance during the course of the contract and advising the FAC, according to local

procedures, of any problems with the QAE's performance.

The contract administrator should ensure the QAE(s) assigned to the contract is qualified and has been properly appointed. Listed below are the QAE qualifications and nomination/appointment criteria taken from AFMAN 64-108 and AFI 64-504:

QAE Training

Training the QAE is critical for successful surveillance. The contract administrator plays a major role in training the QAE, along with the QAE Program Coordinator, on the requirements and surveillance procedures of the contract. It is important for the contract administrator to know the contract and surveillance procedures to be followed so he/she can support and help provide effective training. Listed below are the requirements for QAE training:

QAE training is a two-phased program designed to provide in-depth knowledge of surveillance procedures and contract requirements. Phase I training is conducted by mobile AETC instructors or by QAEPCs using the AETC training materials. The applicable contract administrator conducts Phase II Training.

- Phase I: QAEs must complete this training before performing surveillance duties on contracts in which AFMAN 64-108 surveillance procedures apply.
- Phase II: QAEs must complete this training **before** the contract start date for **new** contracts and **before performing** surveillance duties on **existing** contracts. This training must be provided for each contract to which a QAE is assigned. QAEPCs instruct contract administrators how to teach Phase II training and how to write and use contract administrator plans. Contract administrators must complete this training before teaching QAEs. As a minimum, Phase II training should include:

- A detailed review and discussion of the PWS, to include safety requirements;
- A detailed review and discussion of the contract, to include each section;
- An awareness of areas in the contract susceptible to fraud, waste, and abuse;
- The manner to certify acceptance of satisfactory services; and
- Maintenance and submission requirements of all applicable QAE documentation.

QAEPCs must conduct formal refresher training annually for QAEs. As a minimum, refresher training should include:

- Policy and procedural changes received during the previous year regarding the QAE Program;
- A discussion on trends that denote problems with QAE surveillance and documentation procedures during the previous year; and
- Other topics suggested by the contracting officer, contract administrator, FAC, and/or QAE.

QAEPCs must conduct informal refresher training on a case-by-case basis throughout the year for all FACs, QAEs, and contract administrators. Informal refresher training should be recognized as a continuous on-the-job process. Air Force or MAJCOM functional OPRs may develop additional training required to perform QAE duties for specific contracts. The FAC should ensure each QAE completes all applicable training.

Review of the Quality Assurance Surveillance Plan

The QASP is an organized, written document specifying the surveillance methodology to be used for surveillance of contractor performance. When reviewing the QASP ensure that:

- There is a sampling guide for each task listed on the Performance Requirement Summary of the PWS. Each task includes:
- Method of surveillance

- Lot size
- Sample size, except for when customer complaint method is used
- Performance requirement
- Sampling procedure
- Inspection procedure
- Variations

QAE Decision Tables (optional)

Although not a mandatory written requirement of the QASP, the contract administrator can help ensure compliance of the one-time or infrequent requirement(s) specified in section C-5 of the PWS, that are not listed on the PRS table, by annotating them for review or action (e.g. contractor key personnel roster, key control plan, training certificates, and review of government furnished property inventory at end of contract year).

Preperformance Conference

The preperformance conference is held as soon as possible after contract award and prior to commencement of work. Proper **planning** and **preparation** are **essential** to ensure the parties understand the terms and conditions of the contract. The following is a list of steps that will aid you in your task of conducting a productive preperformance conference:

- Meet with the functional area personnel to go over the PWS to assure a common understanding by government personnel and prevents any surprises from surfacing during the conference; and
- Meet with Government personnel to discuss conference protocol: emphasize that the person conducting the conference is in complete charge; and government attendees should not respond to contractor questions unless cleared to do so.

Conducting the Conference

MAJCOM or local policy may dictate who will be responsible for conducting the conference. The following are recommended procedures for conducting the conference:

- Introduce all parties;
- Ensure all parties understand that only the contracting officer has the right to make changes to the contract;
- Let safety, fire department and security police representatives explain the safety and security requirements while performing work on the base;
- Keep conference under control and on track; and
- Use AF Form 3065, preperformance conference and prefinal checklist, as your guide for areas to be discussed during the conference.

Performance Evaluation Meeting

The contracting officer may require the contractor's manager to meet with the contract team (contracting officer, contract administrator, QAE and other government personnel) as deemed necessary to discuss the performance of the contract. Remember, minutes of any such meetings shall be recorded and signed, by the contract manager and the contracting officer or contract administrator, and the original filed in the contract file.

Exercise of Options

FAR 17 provides guidance on exercising options. The following list of items may be used as a tool in the exercise of options process.

- Review contractor performance with customer and check to see if any significant changes are needed to the PWS that would preclude the option being exercised;
- Review the option clause in the contract;
- Establish a set of milestones to ensure compliance with FAR 17;

- For service contract wage determinations that apply to your contract, submit SF 98 to DOL (wage information is also available on-line through SAF/AQC homepage), unless it was already submitted under a Blanket Wage Determination Request.

NOTE: Davis Bacon wage rates do not change during the contract period, unlike Service Contract Act wage determinations. The Davis Bacon wage decisions used at the time of award stay the same throughout the life of the contract.

- Perform an informal analysis of prices and the market. AF FAR Sup 5317.207(d)(2) lists the factors that should be considered for the informal analysis;
- Obtain AF Form 9 from user;
- Accomplish the contracting officer's written determination for exercise of option (see FAR 17.207(f));
- If a collective bargaining agreement applies to contract, review FAR 22.1010. Contracting Officer has a responsibility for a "Notice to Interested parties";
- Review FAR Clause 52.222-43, Fair Labor Standards Act and Service Contract Act- Price Adjustments (if applicable to your contract) for contracting officer's actions that occur due to increases and or decreases in wages due to a new wage determination;
- Distribute notice of intent letter and modifications in accordance with time specified in the contract.

Modifications

Several issues need to be considered when processing modifications:

- If section C-5, Specific Tasks is changed, does the PRS table and or QASP need to

be changed to reflect the changes made in Section C-5?

- Remind the customer to update the job analysis for any changes made that affect the current one. This will aid the customer in their review at exercise of option and aid in their development of the Government Estimate.
- If modification was a change order, don't forget to finalize it with a supplemental agreement.
- Ensure modifications are posted to the contract. Remind customer to keep their copy updated to ensure contract requirements are being met.

OUTSOURCING ISSUES

NOTIFICATIONS

During the COST COMPARISON Commercial Activities process, several notifications are required

<i>Congressional Notifications</i>	<ul style="list-style-type: none"> • <u>Initial Congressional Announcement</u> - MAJCOM commanders, with installation commanders, notify HQ USAF/PE of the intention to do a cost comparison involving 46 or more DoD civilian employees. USAF/PE then notifies Congress of this intention. • <u>Congressional Notification Before Award</u> - MAJCOM commanders, with installation commanders, notify Office of the Secretary of the Air Force, Legislative Liaison (SAF/LL), of any decision to convert to contract those CAs performed by more than 10 DoD civilian employees. SAF/LL then notifies Congress. Before making that notification, SAF/LL first notifies the Office of the Assistant Secretary of Defense, Production and Logistics, OASD(P&L), five working days before the Congressional notification. • Contracting Officers must report contract award actions in excess of \$5 million using procedures outlined in DFAR 205.303 and AF FAR 5305.303 <p>No award or notice to proceed should be issued until SAF/LL notifies the MAJCOM that congressional notification has been made</p>
<i>DoD Employee Notification</i>	<p>DoD components shall, in accordance with 10 U.S.C., Section 2467(b), at least monthly during the development and preparation of the performance work statement (PWS) and management study, consult with DoD civilian employees who will be affected by the cost comparison and consider the views of such employees on the development and preparation of the PWS and management study. For Union employees, consultation with representatives of the labor organization satisfies the consultation requirement.</p>
<i>Local Notification</i>	<ul style="list-style-type: none"> • Upon starting the cost comparison process, the installation commander makes an announcement of the cost comparison, including a brief explanation of the cost-comparison process to the employees of the activity and the community. CPO ensures the installation's labor relations specialist is also appraised to ensure appropriate notification to employees and their representatives in accordance with applicable collective bargaining agreements. Local Interservice Support Coordinators and the Chairman of the Joint Interservice Resources Study Group should be notified of all cost comparisons and direct conversions.

To ensure all opportunities are explored, the Air Force is examining each function and process for possible outsourcing. Labor is not the only candidate for outsourcing. Materiel, facilities and infrastructure are also good candidates and should not be overlooked. Of course, some activities will remain off-limits, and care must be taken to maintain quality and ensure the Air Force retains its ability to meet its wartime commitments. Below are several

initiatives being explored in the outsourcing arena.

CONSOLIDATION

There are numerous consolidation possibilities available in the outsourcing arena. Consolidation attempts to achieve efficiency by combining efforts or functions under a single umbrella. It can take many forms from

combining functions at a single base to combining like functions common to a geographic region. Key points to consider in the decision making process and contracting approach to these efforts are loss of Air Force core experience, learning curves, disruption of service, and the need to recompetite the requirements every few years.

Contract Bundling

Bundling is the consolidation of multiple functions under one contract, usually at a single location. An example could be contracting some of the different Civil Engineering shops at a base, or even contracting out all logistics functions at base. The success or failure of this type of effort relies on finding qualified companies that can perform multi-function management, and the capability of the agency or base to manage the multi-function contract. Bundling of contracts can take many forms, including cross-service and multi-agency relationships, regionalization of services, and base operational support contracts for multiple functions

Regionalization

Is a major opportunity to streamline the acquisition processes by determining if activities at several locations can be combined into a single outsourcing vehicle (e.g. a regional contract). Reducing the number of contracts that individual installations support may provide better efficiencies to support functional organization missions. It also should make bidding more attractive to top companies through larger scale contracts.

Regionalization takes individual functional installation organizations and centralizes them under one common location. Examples of possible regionalization include certain maintenance functions, such as PMEL, engine repair, etc. Regionalization should be explored when there is a group of installations that can use a central location for support.

Inter-service support agreements

Federal and DoD Installations in the same geographical location should explore the possibility of establishing multi-agency and cross-service agreements. This would be

useful in functional areas that have similar operating characteristics, such as environmental waste storage, and disposal. The General Services Administration formed a program based on a 1984 Executive Order which attempted to consolidate contracts among Federal agencies in a specific region. The program known as the Cooperative Administrative Support Unit (CASU), is facilitated by GSA but is actually an agreement between federal agencies to support each other. Typically, federal agencies will meet to explore what common supplies, services etc. they share and which ones they could consolidate. Then, one of the agencies will serve as the “lead” for the effort. For example, in some cities, federal agencies including DoD have combined all their needs for copier service under one contract. The lead usually combines the requirements of each agency into one statement of requirements and awards the contract for the whole region. The agencies escape writing separate contracts, take advantage of economies of scale, and attract more bidders due to the size of the procurement. GSA has a web page to provide additional information. Details of how to contact GSA are in appendix 1.

Site management

Notwithstanding the efficiencies of contracting out, the benefits of organizational realignment for the management of contracts must outweigh the risks in any particular scenario. New management arrangements should be pursued where they make sense in the command structure. In cases where substantial opportunities for outsourcing are found in multiple functions on an installation, “site management” through a single contract for these functions should be considered. Also, aligning several different contracts under such a site manager may lead to increased efficiencies. Finally, where streamlined management is used, every attempt should be made to align contract expiration and renewal dates and restructure of contract arrangements to allow for a broader application for the site manager concept.

Base Operating Support (BOS) Contracts

When compared to depots, military family housing, and other large targets, work centers associated with Base Operating Support are generally small. Therefore, BOS candidates need special management to realize the most potential for savings, efficiency and effectiveness. The Air Force effectively uses bundling of requirements for BOS at numerous bases throughout the service. Functions performed by these contracts would include, for example, consolidating supply, transportation, civil engineering, and services functions under one solicitation. This contract is usually centrally managed under an in-house site manager. BOS contracts should be designed to take advantage of private sector expertise while reducing overall cost. In addition, this option reduces the number of contracts to a manageable level.

When using BOS contracts, consideration should be given to moving military positions needed for national security out of the work centers to be outsourced and into others to help maintain the required number of military authorizations to meet readiness requirements. This will facilitate the contract while still maintaining readiness requirements for the appropriate AFSC.

Base Operating Support contracts lend themselves to consolidation under central management or in-house "site management." BOS functions should take advantage the specific industry expertise available in the private sector. Failure to do so, and bundling or consolidating work centers solely to gain central oversight, jeopardizes the government's receipt of quality work. It is important to make sure that we do not have operations run by private sector businesses that have little expertise in many important work centers. This is especially true in the BOS area, where quality is often difficult to quantify and the work impacts the quality of life. For these same reasons contracting officers should consider use of award fee contracts or other vehicles where risk and rewards strike a proper balance.

ENERGY CONSERVATION PROGRAM

Energy Savings Performance Contracting (ESPC)

ESPC, formerly known as Shared Energy Saving (SES) contracting, is an alternative to the traditional method of financing energy efficiency improvements in federal buildings. Under this alternative financing arrangement, federal agencies contract with energy service companies (ESCOs), who pay all the up-front costs. These costs include identifying building energy requirements and acquiring, installing, operating, and maintaining the energy-efficient equipment. In exchange, the contractor receives a share of the cost savings resulting from the capital improvements until the contract period expires. At that time, the federal government retains all the savings and equipment. Special long term contracting authority, for contracts of up to 25 years, is found in 10 U.S.C. 2865. Some key benefits of ESPC are that it:

- Reduces energy costs;
- Improves federal energy efficiency and helps meet the federal energy savings requirement;
- Eliminates the maintenance and repair costs of obsolete energy-consuming equipment; and
- Places operations and maintenance responsibilities on the contractor

What are Energy Cost Savings?

Savings attributed to an ESPC may be either energy (BTU) or dollars. Energy cost savings refer to a reduction in the cost of energy used in federally owned buildings. The contract sets forth the methodology for establishing the base cost and the share of energy cost savings each year. The contract also specifies the method of determining the value of such savings, which may vary from year to year. Energy cost savings may result from the lease or purchase of operating equipment improvements, altered operations and maintenance, or technical services.

Savings may also result from using propane-air mix plants or heat recovery to improve the efficiency of existing energy sources.

When can ESPC be used?

ESPC allows federal agencies to update aging building systems, streamline operations, and train maintenance workers to reduce operations costs. ESPC can be used when:

- Updating aging equipment with newer, more efficient products;
- Helping agencies meet the energy cost reduction goals of executive order 12902 and energy policy act of 1992(EPACT);
- Conserving nonrenewable fuels and achieving environmental benefits by reducing energy consumption; and
- Reducing utility costs without sacrificing service.

The Air Force OPR for the ESPC program is Mr Fred Beason, HQ AFCESA/CESE.

Demand Side Management (DSM) Agreements

Air Force installations may secure comprehensive energy conservation services from their local utilities using a negotiated Demand Side Management (DSM) agreement. A negotiated DSM agreement may be used to reduce electric demand, energy usage, and to implement water conservation projects. In this context, DSM means more than traditional rebates and free audits. It also means the utility provides design, execution and financing of energy conservation measures. Authority is provided in 10 U.S.C. 2865 for the sole source negotiation of a DSM agreement with the local utility. The base uses utility funds to pay the utility company's costs to provide these services, plus interest on any amount financed.

How Does DSM Work?

An attachment to the existing utility contract is used to obtain DSM services. This can be either by modification to a GSA area-

wide or base initiated utility contract. An "umbrella" agreement documents the general principles agreed to in the negotiations. Projects are then executed with delivery orders. After a preliminary energy audit by the utility, the base approves items for further detailed audit, design and/or execution. The utility then completes the design and gets base approval to proceed with the project execution. The level of savings validation required from the utility has an impact on the project costs. The repayment period is negotiated to assure the savings cover the fixed amount added to the monthly utility bill.

Benefits of a DSM Program

A DSM program will supplement limited personnel and funding resources to help meet energy conservation goals. Eight Air Force bases have executed DSM agreements. Hanscom, McClellan, and Mountain Home AFBs have projects completed under DSM delivery orders, and five other bases have initial projects in various stages of accomplishment.

For Additional Information on DSM

For further information see Defense Energy Program Policy Memorandum (DEPPM) 94-1, "Participation in Public Utility Sponsored Energy Conservation and Demand Side Management (EC/DSM) Programs" and the corresponding Air Force implementation plan, "Air Force Energy Program Procedural Memorandum (AFEPPM) 94-1, Implementation Plan for Participation in Utility Sponsored Energy Conservation Programs/Demand Side Management."

The Air Force OPR for DSM is HQ AFCESA/CESE DSN 523-6295.

PRIVATIZATION

The term "privatization" encompasses a number of alternative strategies whereby the government relinquishes its role as the primary provider of services. These strategies run the spectrum from divesting all involvement and responsibility for service delivery to contracting out the service to a private firm, with the government acting in an oversight capacity. Privatization could include the sale

or transfer of assets to the private sector, corporatization (the government employees become employees of a private corporation and own stock in the corporation, and public/private ventures sharing risks and/or profit through the venture. Examples are the build-to-lease family housing program, and the construction of the Hope Hotel, located at Wright Patterson AFB, where the contractor provides the funding in exchange for a rental guarantee from the government.

The overall mission of the Air Force outsourcing and privatization program is to institutionalize the optimum use of private sector resources in the Air Force. Institutionalization will chart a path to make the most effective use of private sector capabilities while maintaining or improving Air Force readiness and quality. This effort is not new. Outsourcing and privatization have existed in the government in some form for years.

Military Family Housing

DoD lacks sufficient resources to keep up with military housing revitalization and deficit reduction requirements. The National Defense Authorization Act of 1996 provided a wide variety of new authorities that allow the Air Force to leverage limited resources to energize private sector investment towards meeting our housing needs. DoD policy is to rely on the private sector housing first to support military housing needs. However, in many areas quality private housing is not available or affordable for our forces. The new legislation gives us many tools to eliminate, or significantly reduce, the availability and affordability gaps, and let private sector housing meet the needs of our members. Incentives for privatization of Military Family Housing in the Defense Authorization Act for 1996 include:

- Allowing industry to build to community standards;
- Setting up two revolving DoD funds;
- Allowing support facilities to be included in housing projects; and
- Having private sector own and maintain housing, with military members renting, using BAQ and VHA.

Private Sector Financing

Private sector financing uses market forces to improve, replace, or construct new housing for unaccompanied and married military members. This initiative enables the Air Force to leverage limited investment funds by using a variety of private sector approaches (limited partnerships, build to lease, rental guarantee, etc. or a combination of these) to build and renovate military housing.

The Military Family Housing Revitalization Act of 1995 broadened the options available to the services for meeting their housing needs. These authorities became reality with passage of the language in the FY96 Authorization Act. The services will now be able to form limited partnerships with developers, offer mortgage guarantees to enter into leases, or use the new authorities in combination with several existing authorities to stimulate private sector financing of military family housing projects. The new authorities fall into three basic areas:

Commitments

- Lease-construction agreements
- Subsidies or differential payments over and above rental payments

Guarantees

- Involve payment and income guarantees for coverage against contingencies that cannot be characterized as normal market risk (e.g., base closures, reductions in force, major realignment or extended deployments)
- Rental or occupancy guarantees
- Direct loan or loan guarantee

Investments

- Authorize DoD to invest in private housing developments that will be available for military use such as limited partnerships, stock in corporations and debt instruments.

The Secretary of Defense formed a Housing Revitalization Support Office (HRSO) in anticipation of the new legislation. OSD's goal for FY 96 is to initiate projects affecting at least 2000 units of family housing, and 2000

barracks spaces. The Air Force has a project in process at Lackland AFB.

Actions In Process

An IPT was formed to manage the Air Force Housing Privatization Program. The IPT is a cross-function organization focused on delivering corporate Air Force solutions to implementing facility privatization with an initial focus on housing. Team members are from finance, legal, contracting, civil engineering, personnel, programming, and public affairs and will be supplemented by consultants to advise the IPT on financial investment and land development matters.

The Air Force is developing a plan that will implement the proposed privatization legislation to build entire communities, including accompanied, unaccompanied and support facilities. Such as:

- Houses, dorms, support facilities (housing offices, maintenance areas, and warehouses);
- Community facilities such as child development centers, convenience stores, and libraries; and
- Recreation facilities such as pools, theaters, and gyms

Limited Partnerships

Use of limited partnerships will be governed and authorized by a new Air Force Instruction (AFI) being developed by the Air Force.

Depot Maintenance

Privatization is considered the primary technique for sizing depot maintenance infrastructure to match our projected core capability requirements. Possible courses of action include converting public sector capabilities and facilities to the private sector, allowing private sector use of excess public sector capacities, and interservicing. Each of these options must be evaluated in terms of operational readiness, cost effectiveness, and implementation strategy to minimize disruption to depot production processes.

Privatization allows the government to sustain operations with an essential capability to perform critical depot maintenance functions, while industry infuses their commercial business practices and workloads to move toward a responsive, less expensive defense support posture. This joint readiness and sustainability support capitalizes on the strengths of both sectors. Areas of concern for this effort include technical data rights, indemnification, CICA implementation, and consistent depot workload during transition period.

SMALL BUSINESS ISSUES

Consideration needs to be given to the impact of outsourcing on small business and 8(a) program goals. If the criteria are met, offerors should be limited to Section 8(a) firms or small businesses. Small businesses are the backbone of the American economy, providing most of the nation's jobs. The government has always been concerned with fostering and assisting the economic development of the small business community. Of primary concern is the impact of "contract bundling" or "regionalization" on the small or small and disadvantaged businesses. This should be a topic of considerable discussion during the acquisition strategy panel of any outsourcing effort. The local "Small Business Specialist" must be involved in this dialogue. For example, if a small business is running the post office at installation, and the decision is made to bundle this contract with others in the region under an umbrella contract, will these small businesses be pushed out of the competition for the larger contract? This issue must be addressed in every effort. Require subcontracting commitment when small business is not available as prime.

BUSINESS OPPORTUNITIES ON SAF/AQC HOMEPAGE

Many initiatives are being put in place to help small businesses, in light of the government's interest in fostering and helping them grow. One of these initiatives is aimed at providing real time access to acquisition

information via the World Wide Web. SAF/AQC has added the Air Force Business Opportunities page to its own internet web page. This home page provides current information, from web enabled sites, on non-FACNET actions (over \$100,000) at all stages in the procurement process. This effort should streamline the entire acquisition process and reduce the number of amendments, modifications, and disputes in procurement actions by increasing industry involvement and comment early in the process. The page will contain key RFP documents, Notices of Contract Action (NOCAs), Commerce Business Daily (CBD) announcements, as well as information on many Research and Development and agency programs. A search engine will also be provided to assist users in finding topics germane to their particular business or region. Ten separate sites (mostly MAJCOMs) will host this capability on the internet!

LESSONS LEARNED

Inputs from bases and MAJCOMs experienced with cost comparison reveal some lessons for future studies.

- Working groups should be assembled very early, with clear responsibilities and lines of authority and set procedures.
- Continuity of personnel should be pursued as much as possible. Understand that the cost comparison process can take from 12-48 months to complete; therefore, it is nearly impossible to maintain continuity of all personnel on the teams or working groups. However, as much as possible, continuity should be considered when selecting representation for key functions.
- The functional area that is being outsourced should author and compile the PWS (with technical assistance from other functions). This document is clearly the backbone of the effort and should not be left to some other functional area to write. Functional area uncertainty will result in modifications later at premium cost and service disruption. Productivity is almost always negatively affected.
- Minutes from working group and steering group meetings are necessary. A multitude of discussions will be conducted, and frequently decisions or agreements will need to be re-addressed for validation.
- An essential element for success in any sealed bid (cost comparison or not) is to make sure the offerors know and understand all the government's requirements. In one case, the two lowest bidders on a solicitation for transient aircraft services were rejected because they did not use the appropriate number of personnel required by the Air Force, and therefore their bids were understated. Although various technical exhibits in the solicitation detailed refueling procedures, the Air Force never emphasized the point. This is a particularly important lesson when using sealed bid procedures. We must do our best to keep all potential bidders in the competition by emphasizing unique, or mandatory features of the service to be performed.
- In a recent case, the contracting activity informed the civilian personnel office that award was certain, yet no immediate action was taken to issue the employee RIF notifications. This significantly delayed the performance start date. Remember, waivers can be obtained for timelines except when requirements are statutory in nature..
- PACAF advises that contracts covering service in more than one country are not practical because of differences in contracting procedure, laws and agreements with host nations. In Japan for example, some support services are provided by host nation funded civilians. Therefore, outsourcing would actually increase costs to the U.S. Government

ACQUISITION STREAMLINING EFFORTS

Aside from the steps or methods already mentioned, there are numerous ways the acquisition steps in a cost comparison can be streamlined:

- Streamline and speed up the construction of the Performance Work Statement or build command wide model PWSs and adapt them for a specific location. AFCESA models should be examined. This effort could possibly save 30 days in the process. However, too much streamlining could result in poor definition; and in turn, inefficient, ineffective contractor performance. Additionally, large scope studies increase PWS preparation time and require more people to coordinate and administer.
- Consider development and completion of the Acquisition Plan concurrent with the PWS. It could possibly save up to 90 days from the process as a whole.
- Synopsis time is a prime candidate for streamlining. Rather than using 90 days as the standard, it should be the exception.
- Obtain DOL wage rates faster through on-line access.
- Offices should consider drafting the solicitation upon receipt of the draft PWS rather than waiting for the final PWS, and issuing the final solicitation after the preproposal conference. This can save up to 60 days but may require multiple reworks to the draft solicitation.
- Another possibility for time reduction is the RIF notice time. Public Law 102-484, Section 4433, provides DoD employees be given 120 days release notice. This same law also provides the Office of Personnel Management the authority to grant a waiver to a minimum of 30 days. This is a good topic for discussion by the Acquisition Strategy Panel and Cost Comparison Steering Group, and could save up to 90 days.
- When developing standard or command-wide PWSs and QASPs, solicit input from industry on content (especially the Contract Services Association).
- Involve labor unions early in the cost comparison. Provide regular briefings on the cost comparison process even when studies aren't being conducted. This familiarizes the union with the process and makes it less threatening.
- If small numbers of bidders are competing, the contracting office should consider conducting pre-award surveys (PAS) on all bidders during negotiations. While initially a lot of work for the contracting specialist, early completion of the PAS will reduce the waiting time once a successful offeror is selected. Again, a cost comparison with a large number of bidders would make this option impractical. Pre-award surveys should be accomplished in-house vs. using DCAA, if possible.
- Use of sealed bidding reduces the amount of time spent in the acquisition process significantly. Therefore, sealed bidding should be used to the maximum extent practicable to reduce time spent on technical evaluations. However, success with this method is largely dependent upon the quality of the PWS and the Acquisition Plan which are accomplished up front in the process.
- For negotiated acquisitions with technical evaluations, consider using individuals from outside the function being studied (headquarters or supporting agencies). Using external evaluators provides incentive to accomplish the evaluation on schedule and within planned parameters.
- Establish base and HQ appeal teams to handle administrative appeals before appeals are submitted. Possible standing appointment by position is one option to handle the appellate review.

QUESTIONS AND ANSWERS

How does outsourcing and privatization relate to the OSD-mandated civilian reductions?

The Federal Workforce Restructuring Act of 1994 requires cost comparisons to justify outsourcing civilian workload. OMB, DoD, and Air Force policy require compliance. The O&P initiative is a separate OSD initiative; however, Air Force policy is to use civilian reductions generated by outsourcing and privatization initiatives to meet the mandated OSD civilian reductions. Once Air Force civilian reduction targets for a given fiscal year are met, civilian reductions can be used that year as savings.

Can MAJCOMs eliminate or transfer UTCs?

MAJCOMs will not take action that would result in a reduction in UTC availability contained in the USAF War and Mobilization Plan (WMP), Volume 3, Part 2: Support Forces (S), without prior approval of HQ USAF/XOXW and the affected Air Staff Functional Area Manager (FAM).

Does the MAJCOM program the funds for contracted out functions?

When MAJCOMs announce approved outsourcing initiatives, HQ USAF reprograms the manpower and dollar resources to fund the contract.

What is the funding strategy for rolling up savings to the AF level, to include how savings will be used?

The execution strategy for rolling up savings to the AF level follows:

- After Air Staff concurrence, the cost comparison is announced.
- In the POM, the command identifies a percentage of the military personnel costs as POM savings

- In the POM, HQ USAF/PE reprograms 80% of the military personnel cost into the O&M appropriation (or RDT&E) to fund the cost comparison decision, i.e., contract or MEO.

Upon cost comparison completion:

- **Contract Decisions:** The command identifies the actual contract price in the financial planning year. If the contract price is greater than the programmed 80% military pay, the difference is sourced from the Air Force. If the contract price is less than the 80% budgeted, the Command retains these dollar savings in the financial planning year. However, out-year savings are identified to fund force modernization as determined by the Air Force corporate structure.
- **In-house decisions:** The command identifies the number of civilians required by the MEO in the Financial Planning Year. If there is an increase in civilians currently in the function, the Air Force programs the additional authorizations to meet the MEO requirement. The 80% budgeted funds (from mil pay) is used to fund these additional civilians. If not all of the reprogrammed military pay is required to fund these authorizations, the Command retains these dollar savings in the financial planning year. Out-year savings are identified to fund force modernization as determined by the Air Force corporate structure. If there is a decrease to the civilians currently in the function to meet the MEO requirements, the number of decreased authorizations is applied to the arbitrary civilian reduction. Any additional savings are retained by the Command in the Financial Planning Year. However, the out-year savings will be identified to fund force modernization as determined by the Air Force corporate structure.

What is the new communications strategy between HQ USAF and the MAJCOMs for outsourcing and privatization (O&P) issues?

Overarching policy and guidance on Air Force outsourcing and privatization issues will

come from the Air Force O&P office, USAF/LGM-1. Commercial activities program management continues to reside with HQ USAF/PE to implement policies, procedures, and legislation associated with the implementation of OMB Circular cost comparison. Communications with the Air Staff regarding general guidance, policy and questions will occur between a MAJCOM and the Air Staff via the MAJCOM O&P Integrated Process Team (IPT). There will be no change in current procedures regarding MAJCOM and AF/PE communication for commercial activities program management.

Communication with all OSD offices on O&P matters will be conducted through the AF O&P IPT for general matters, or functional offices for specific functional issues. MAJCOMs will not contact OSD directly, but route questions and issues through the Air Staff.

An Air Force O&P "Home Page" is planned for the World Wide Web as an additional avenue of communication.

How much time does the average cost comparison study take to complete?

Cost comparisons take an investment of time and resources. It is a parallel OMBC A-76 and FAR process that is very deliberate and does take dedication of resources and time to ensure the cost comparison is conducted properly and with the accuracy needed to withstand appeals and protests. To reduce the time to conduct a cost comparison is relative to the acquisition process--the faster these steps are completed, the faster the cost comparison will be completed.

- The Air Force average for single function is 19 months.
 - AETC completed the largest cost comparison in 16 months.
 - AFMC completed the fastest cost comparison in 8 months.
 - AETC averages 37 months for multiple functions
 - These were very involved BOS cost comparisons that involved detailed solicitations, negotiations and strategies that are necessary to ensure

the cost comparison is properly conducted.

- Statutory requirements cannot be waived; therefore, a cost comparison must be conducted and completed within the given time constraints. All participants in a cost comparison steering group must be aware of this Congressionally mandated time constraint in order to ensure maximum emphasis is placed on timely completion of the cost comparison. Regardless of remaining steps needed to reach bid opening, cost comparisons that will exceed the time limitation before a cost comparison decision will be canceled and the following will take place:
 1. Contracting will cancel the solicitation
 2. Civilian Personnel will notify civilians and their representatives of the cancellation
 3. Base-level Manpower will cancel the CAMIS record
 4. HQ-level Manpower will notify HQ USAF/PEM via memorandum identifying when each of the above actions took place.
 5. Follow-on Actions For Canceled Initiatives:
 - Initiatives should be reannounced within one year in accordance with AF/PER supplemental guidance.

For initiatives that cannot be reannounced within one year, submit supporting rationale for the delay and a projected reannouncement date to AF/PE.

Rather than re-inventing the wheel every time a study is announced, will the Air Force have a central library for PWS documents?

Yes, the Air Force will have two areas to check for model documents. The Air Force Management Engineering Agency (AFMEA), and the Air Force Civil Engineer Support Agency (AFCESA) will provide assistance in this arena. You are encouraged to visit their home pages (samples in attachments and addresses in the POC appendix).

Is IFB, Lowest Technically Acceptable Low, Source Selection or Best Value the recommended method?

This decision is best made at the field level and should be discussed at the Acquisition Strategy Panel and the respective MAJCOM. However, it must be remembered that source selection is more time consuming than sealed bids.

What will be the impact on contracting offices of increased outsourcing?

Currently 60% of cost comparison studies result in contract decisions. With increased initiatives in this arena it is possible that contracting workload will increase significantly both in solicitations and contract performance monitoring. However, this increase can be mitigated by using consolidation efforts such as regionalization and contract bundling.

LEGAL ISSUES

The following is the primary example where the Air Force was non-compliant with OMBC A-76.) In *C.C. Distributors vs the United States Government*, a contractor filed suit against the Air Force for noncompliance with the Code of Federal Regulations (OMBC A-76, DoDD 4100.15, DODI 4100.33, and AF Regulations in place at the time).

- The Air Force attempted to cancel contracts for all Civil Engineering Supply Stores (COCESS) and bring the work back in-house without a cost comparison based on the belief that the workload was inherently governmental. The Federal Court ruled in favor of *C.C. Distributors* and the AF had to pay all court costs and conduct over 20 cost comparisons in record time (most were then outsourced).

Review of previous Comptroller General Decisions on cost comparison protests revealed that the number of protests filed in this area was low. Also noted during the review was that out of 26 recent protests, none were sustained. GAO emphasized throughout the cases they will not consider protest allegations that challenge the agency's *decision* to conduct a cost comparison under OMB Circular cost comparison. GAO will only review issues involving the competitive solicitation for cost

comparison purposes. Listed below are some case digest notes that were selected:

- Allegation that agency failed to properly consider the costs of converting to in-house performance work previously required under contract is denied where the record shows that the agency properly included a 10 percent cost differential to account for cost conversion in accordance with the procedures established by OMB Circular cost comparison. (Ref. B-259425.2, June 22, 1995)
- Contracting Agency has no obligation to exercise an option in an existing contract awarded under solicitation issued pursuant to the OMB Circular cost comparison and need not justify such decision with a cost comparison. (Ref B-252009.2, March 24, 1993)
- An agency does not enjoy an unfair labor cost advantage in OMB Circular A-76, even though the pay of federal employees is not subject to Service Contract Act requirements that are applicable to commercial bidder's employees; there is no requirement that a cost comparison include a factor to equalize any such inherent disparities in the agency's and the bidder's legal obligations. (Ref B-243728, Aug. 23, 1991)
- Protest of an agency's decision to contract for maintenance services, rather than to continue performing them in-house with federal employees dismissed, since the agency's decision, which was not made pursuant to a solicitation issued for cost comparison purposes under OMB Circular cost comparison is a matter of executive branch policy that is not for resolution through bid protest process; in any event, a federal employees association, that would not be a bidder or offeror under a solicitation for the contract services, is not an interested party. (Reg B-245185, August 15, 1991)

- GAO will not consider protest allegation that challenges agency decision to conduct a cost comparison study under OMB Circular A-76, a matter of executive policy not reviewed by GAO. (Ref B-243318, April 12, 1991, B-241441, Jan. 29, 1991)
- Protest that contracting agency improperly evaluated bids under solicitation issued for cost comparison purposes pursuant to OMB Circular A-76 is denied where agency followed applicable procedures in conducting the cost comparison and protester fails to show the methodology used was unreasonable or inconsistent with the Circular and other related guidelines (Ref B-237980, March 27, 1990)

SUCCESS STORIES

There are many success stories regarding outsourcing efforts. Many of them have to do with consolidation or regionalization.:

- PACAF has one contract for Civil Engineering Operations Support at contingency sites in Korea (Seven sites total, for approximately \$12M/yr.)
- The medical community has turned to Health Care Cost Recovery (HCCR) Services Contracts to significantly increase their collections under the Third Party Collection Program (TPCP)
- The Air Force is almost exclusively outsourcing environmental restoration studies, design, and related construction. We are also evaluating the expanded use of Total Environmental Restoration Contracts (TERCs) to perform environmental clean up design and construction activities under a single contract for the study phase through final cleanup.
- Many bases have closed aging water and/or wastewater plants, and have opted to connect with local systems. These systems are operated by city/county governments or private enterprises which furnish water and or wastewater treatment under utility contracts.
- An effort most contracting activities should be aware of is the Simplified Acquisition of Base Engineering Requirements (SABER) contract. Bases accomplish large repair and minor construction work orders through these contracts rather than using in house manning. CE Operations Flight manpower standards now assume multi-craft work orders over 250 man-hours will be contracted out. This work must not be a recurring service that replaces an existing workforce.
- The energy conservation program uses capital supplied by energy utilities and energy-service companies to improve energy efficiency of our facilities. Savings are shared with the investor for a specified period, after which the Air Force owns the improvements. There are two programs in this category, Energy Savings Performance Contracting (ESPC) and Demand Side Management (DSM) agreements.
- Vance Air Force Base in Enid, Oklahoma is a long standing example of outsourcing not only specific support functions but the support for the entire base. AETC's northernmost undergraduate pilot training base is unique because more than half its employees are civilian contractors (700 military, 150 appropriated and nonappropriated fund civilians and about 1,000 contract employees). Contract workers take care of everything from aircraft maintenance to running the child development center. While contracting by itself does not prove success, consider that the base has won the AETC Facilities Excellence Award twice in a row and the base housing area has received the highest marks possible from command inspectors during the last five inspections. When compared with other training bases with little contract support, Vance demonstrated a tremendous savings equating to millions of dollars.

- The Air Force currently has private contractors maintaining the KC-10 tanker fleet, and F-117 fighters. Additionally, some of the most advanced Navy surface ships are repaired at private shipyards.

GLOSSARY OF REFERENCES, ABBREVIATIONS, ACRONYMS, AND TERMS

REFERENCES

Office of Management and Budget Circular A-76, Performance of Commercial Activities, 4 August 1983

Office of Management and Budget Circular A-76, Supplement Handbook, March 1996

Office of Management and Budget Policy Letter 91-2, Service Contracting, 9 April 1991

Office of Management and Budget Policy Letter 92-1, Inherently Governmental Function, 23 September 1992

Office of Management and Budget Policy Letter 93-1, Management Oversight of Service Contracting, 18 May 1994

DoD Directive 4100.15, Commercial Activities Program, 10 March 1989

DoD Instruction 4100.33, Commercial Activities Program Procedures, 9 September 1985, with Change 1

AFI 38-203, Commercial Activities Program, 26 April 1994

AFI 63-504, Quality Assurance Evaluator Program, 7 February 1996

AFPD 38-2, Manpower, 2 March 1995

AFP 26-12, Guidelines for Implementing the Air Force Commercial Activities Program (soon to be replaced by AFMAN 38-209)

AFMAN 64-108, Service Contracts 4 November 1994

AFI 65-504, Independent Review of Commercial Activities cost comparisons,

National Performance Review 1993

ABBREVIATIONS/ACRONYMS

AAP	Administrative Appeal Procedure
AF	Air Force
AFCESA	Air Force Civil Engineer Support Agency
AFI	Air Force Instruction
AFMAN	Air Force Manual
AFMEA	Air Force Management Engineering Agency
BCAS	Base Contracting Automated System
CA	Commercial Activities
CAIRS	Commercial Activities Inventory Reporting System
CAMIS	Commercial Activities Management Information System
CBD	Commerce Business Daily
CCPO	Central Civilian Personnel Office
CDR	Contract Discrepancy Report
CME	Contract Manpower Equivalent
CO	Contracting Officer
COMPARE	OMB Circular A-76 Cost comparison System
DCMAO	Defense Contract Management Area Office
DoD	Department Of Defense
DoDI	Department of Defense Instruction
DRU	Direct Reporting Unit
EPA	Economic Price Adjustment
ENRC	Expansions, New Requirements and Conversions to in house
FAC	Functional Area Chief
FAR	Federal Acquisition Regulation
FOA	Field Operating Agency
FR	Federal Regulation
FYDP	Future Years Defense Program
GAO	General Accounting Office
HQ USAF	Headquarters US Air Force
SJA	Staff Judge Advocate
MAJCOM	Major Command
MDS	Manpower Data System
MEO	Most Efficient Organization
MER	Maximum Error Rate
MIS	Management Information System
NISH	National Industries for Severely Handicapped
OMB	Office of Management and Budget
OMBC	Office of Management and Budget Circular
OPM	Office of Personnel Management
OPR	Office of Primary Responsibility
OSHA	Occupation Safety and Health Act
PAS	Preaward Survey
PL	Public Law
PRS	Performance Requirements Summary
PWS	Performance Work Statement
QAE	Quality Assurance Evaluator

QAEP	Quality Assurance Evaluation Program
QASP	Quality Assurance Surveillance Plan
QAEPD	Quality Assurance Evaluation Program Coordinator
Quality Control	Quality Control
R & D	Research and Development
RIF	Reduction In Force
SAF	Secretary of the Air Force
SBA	Small Business Administration
UMD	Unit Manpower Document
VIMS	Vehicle Integrated Management System

EXPLANATION OF TERMS

Acceptance Sampling

A form of sampling used to determine acceptability of a lot, based on surveillance of selected samples from the lot. A procedure that gives a specified risk of accepting lots of given quality.

Announcement Date

The date of the announcement letter officially starting the cost comparison or direct conversion.

1. For cost comparisons with more than 45 civilians, this is the date Congress is notified in writing (in accordance with 10 USC 2465).

2. For cost comparisons with 45 or fewer civilians or direct conversions, this is the date of the MAJCOM announcement letter to HQ USAF.

Attribute

A characteristic of a service that is used to determine the quality of performance of that service.

Attribute Sampling

A form of acceptance sampling that determines the quality of a service based on a sampling of specified attributes of that service.

Best Value

The overall optimum choice in light of a comprehensive, integrated assessment of costs, performance, reliability, quality, feasibility, technical excellence, management factors, and associated risks.

Commercial Activity (CA)

A commercial activity is an Air Force function that provides a recurring service obtainable from a private sector source. It may be an entire organization or part of an organization. An Air Force CA falls into one of two categories

- In-house CA--performed by Air Force military and civilian or military personnel.
- Contract CA--performed with contractor personnel

Commercial Activities Inventory and Reporting System (CAIRS)

The automated system used to collect, maintain, and report-the-Air Force commercial activities inventory. It includes command and base manpower data systems and special programs maintained by AFMEA. MAJCOMs are responsible for accurate data that will be used annually to develop the annual report to DoD and, in turn, Congress. It is also used for analyses by OSD, HQ USAF, DoD Contractors and AFMEA that have led to major high-level decisions.

Commercial Activities Management Information System (CAMIS)

The automated system used to collect, maintain, and report Air Force data for all in-progress and completed cost comparisons and direct conversions. This data base is a Department of Defense requirement.

Commercial Activity Review

The annual process used to determine the requirement for in-house performance of CAs.

Commercial Source

Any business or other concern that is eligible for contract award in accordance with the Federal Acquisition Regulations.

Contract Manpower Equivalent (CME)

Expressions of in-house manpower requirements that would be necessary if contracted workload were performed in-house at the same level of service specified in the contract. CME data are maintained on the manpower data system.

Contract Start Date

This is the actual date work is scheduled to begin under a contract as provided in the solicitation.

Cost Comparison Process

The process of competing an in-house commercial activity with the private sector. After a functional performance work statement

is developed, two separate and independent processes evolve: (1) Contracting proceeds with soliciting private sector bids or proposals to select the contractor to compete with the in-house bid and (2) Manpower and the functional OPR proceed with developing the MEO and in-house bid which is then independently reviewed by Financial Management. The contract and in-house bids are compared (this is known as the cost comparison) to determine the most cost effective method of performance for the Air Force. A commercial activity with more than ten Air Force civilian employees shall be cost compared.

Cost comparison

Comparing the cost of an in-house MEO with the cost of contract performance in accordance with OMBC A-

Department of Defense Employees

DoD Civilian personnel.

Department of Defense Personnel

DoD Military and Civilian personnel

Directly Affected Parties

Air Force civilian employees and their representative Labor organizations and bidders/offerors on the solicitation

Direct Conversion

The process of converting an in-house commercial activity to contract performance without the cost comparison process. An estimate of the current in-house operating cost is compared to an estimate of the maximum acceptable contract bid prices to justify the cost effectiveness of directly converting the in-house commercial activity to contract performance. This process may be applied to commercial activities performed by military, ten or fewer civilians or a combination of the two.

Direct Conversion

The conversion of an Air Force commercial activity (CA) from in-house to contract performance without applying the cost comparison process.

Error Rate

The frequency at which defective service occurs.

Full-Time Equivalent

The planned use of 2,087 straight paid hours in a fiscal year (to include authorized leave, training, and administrative time away from the job site). For example, in the case of full-time employees with permanent appointments, "one FTE" is normally comparable to "one employee." However, tow-part-time employees, each working 500 straight time paid hours in a fiscal year, equal "0.48 FTE".

Exemption

An exemption is a determination, made in accordance with Circular COST COMPARISON and Supplement (March 1996), that a commercial activity may be converted to or from in-house or contract or ISSA performance, without cost comparison and may justified by reasons other than cost.

Functional Area

The organization having responsibility for the actual performance of a given service whether it is performed in-house or by contract. For example, the transportation organization has responsibility for packing and crating; the civil engineering organization has responsibility for custodial services and family housing maintenance.

Functional Area Chief

The individual responsible for a functional area.

Inherently Governmental Activity

A function so intimately related to the public interest that it mandates performance by DoD personnel (military or civilian). These functions include those activities that require the exercise of discretion in applying governmental and Uniform Code of Military Justice authority as well as the use of value judgments in making decisions for the government.

Installation Commander

The commanding officer or head of an installation or a tenant activity, who has budget

and supervisory control over resources and personnel.

Job Analysis

The act of looking at a job as it is being done to determine what actually results. Job analysis looks at organization, workload, performance values, and resources.

Lot

The total number of potential service outputs in a surveillance period.

Lot Size

The number of service outputs in a lot.

Management Plan

The document that outlines the changes that will result in the Government's Most Efficient Organization (MEO) to perform a commercial activity in-house. It provides the staffing patterns and operating procedures that serve as a baseline for in-house cost estimates.

Management Study

Performed to analyze completely the method of operation necessary to establish the MEO needed to accomplish the requirements in the PWS.

Military Essential Function

A function which must be performed by a uniformed member of the Air Force rather than a Federal employee or a civilian contractor. The following are various justifications for HQ USAF classifying a function as military essential: Those positions that directly contribute to the prosecution of war (combat or direct combat support), are required by law, are military due to custom or tradition, are needed for career field viability and overseas rotations, or require a skill not available in the private sector.

Most Efficient Organization (MEO)

The organizational structure and minimum civilian resources that best meet the performance requirements of the performance work statement.

National Defense Activity

A national defense activity is a commercial activity subject to deployment in a direct military combat support role.

Outsourcing

The transfer of a function previously performed in-house to an outside provider. In the broadest sense of the term, it also includes privatization.

Overhead

Costs not directly attributable to the activity being cost compared that are included in the in-house cost estimate..

Performance Indicator

A measurable characteristic of an output of a work process. Generally synonymous with attribute.

Performance Requirement

The point that divides acceptable and unacceptable performance of a task according to the performance requirement summary and the Inspection of Services clause. It is the number of defectives or maximum percent defective in the lot that is deemed acceptable. Any further defectives will require the government to effect the price computation system.

Performance Requirements Summary

A listing of the service outputs under the contract that are to be evaluated by the QAE on a regular basis, the surveillance methods to be used for these outputs, and the performance requirement of the listed outputs.

Performance Value

A composite of a standard and a performance requirement that describes the quality of an output of a work process.

Performance Work Statement (PWS)

A Performance Work Statement is a statement of the technical, functional and performance characteristics of the work to be performed, identifies essential functions to be performed, determines performance factors, including the locations of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units. It serves as the scope of work and is the basis for all costs entered on the Cost comparison Form.

Post-MEO performance review

When services are performed in-house, as a result of a cost comparison, including those involving an interservice support agreement, a formal review and inspection of the Most Efficient Organization (MEO) should be conducted. Typically, this review should be conducted following the end of the first full year of performance. Post-MEO Performance Reviews confirm that the MEO has been implemented in accordance with the Transition Plan, establish the MEO's ability to perform the services of the PWS and confirm that actual costs are within estimates contained in the in-house cost estimate. Adjustments may be made for formal mission or scope of work changes.

Private Sector

A general term to encompass all the elements of private enterprise, to include civilian contractors, leaders of industry, small business and various professions.

Public Sector

The Federal workforce (both civilian and military), infrastructure and resources.

Preferential Procurement Programs

These are "commercial" source programs such as Federal Prison Industries and the workshops administered by the Committee for the Purchase from the Blind and Other Severely Handicapped under the Javits-Wagner-O'Day Act.

Privatization

Privatization is the process of changing a public entity or enterprise to private control and ownership. It does not include determinations as to whether a support service should be obtained through public or private resources, when the government retains full responsibility and control over the delivery of those services.

Procurement Official

A procurement official is an employee who participates personally and substantially in activities directly related to the procurement action and by the participation, forfeits their right of first refusal. Generally, an employee is not considered a procurement official solely by furnishing data or technical support to be used by others in developing the performance work

statement (PWS), statement of Work (SOW), most efficient and cost effective organization (MEO), or in-house cost estimate.

Quality Assurance

Those actions taken by the government to assure that services meet the requirements in the statement of work

Quality Assurance Evaluation Program

The plans and procedures developed to implement and administer quality assurance requirements of this instruction for an installation.

Quality Assurance Evaluation Program Coordinator

The individual designated by the contracting squadron commander to manage the installation QAE program. This may or may not be a full-time, funded position depending on the installation service contract workload.

Quality Assurance Evaluator

A functionally qualified person who performs quality assurance functions for a contracted service.

Chief Quality Assurance Evaluator

A functionally qualified person having total responsibility for quality assurance functions within a functional area or for one or more specific contracts. This responsibility is exercised through supervision and assistance in the performance of quality assurance evaluation activities of other QAEs. A Chief QAE would be appropriate when there is more than one QAE assigned to a specific contract or when there are multiple service contracts and QAEs within a functional area.

Quality Assurance Surveillance Plan

An organized, written document specifying the surveillance methodology to be used for surveillance of contractor performance.

Quality Assurance Surveillance

Quality Assurance Surveillance is the method by which federal employees will ensure that the standards of the PWS are being met.

Quality Control

A management function whereby control of quality of raw or produced material is exercised for the purpose of preventing production of defective material (AFM 11-1). For purposes of this guide, quality control is action taken by a contractor to control the production of outputs to ensure that they conform to the contract requirements.

Random Number Table

A table of numbers arranged in random fashion. This table is used to select random samples.

Right of First Refusal

When a contractor wins a cost comparison, the contractor will offer displaced employees the right of first refusal for employment vacancies under the contract to positions for which the employees are qualified. (Reference FAR 52.207-3, Right of First Refusal of Employment)

Sampling Guide

The part of a surveillance plan that contains all the information needed to perform surveillance of the service outputs.

Sampling Plan

A plan that indicates the performance requirement, the number of units from each lot that are to be inspected, and the criteria for determining the acceptability of the lot (acceptance and rejection numbers). The sampling plan is used to develop the sampling guide.

Standardized Performance Work Statement (PWS)

A PWS for a specific service that is prepared by a major command or higher level functional area and required for use by subordinate organizations when such services are contracted.

System

Any organized assembly of resources and procedures united and regulated by interaction or interdependence to accomplish a set of specific functions. Any group of interacting,

interrelated, or interdependent elements forming a collective entity.

Tree Diagram

A visual representation of the major functions performed by a system that shows its parts and subparts.

Work

A series of actions that bring about an end result.

APPENDIX 1 - AIR FORCE AND MAJCOM OUTSOURCING AND PRIVATIZATION DIVISIONS AND POINTS OF CONTACT

If you have specific questions on the commercial activities program start by consulting with your local manpower office. This organization should be able to answer the majority of commercial activity questions.

Headquarters United States Air Force

Outsourcing and Privatization: Air Force Outsourcing and Privatization (IPT)
Organization Program

HQ USAF/LGM-1

Telephone Numbers:

DSN: 223-7756
Commercial: 703-693-7756
E-mail: Website under development
POC: Col Mike Collings

SAF/AQC

Outsourcing organization:

Telephone Numbers:

DSN: 225-9041
Commercial: 695-9041
E-mail: boockhok@safaqc.hq.af.mil
Point of Contact Ms Kathy Boockholdt

AF/PER

Outsourcing Organization: HQ USAF/PER

Telephone Numbers:

DSN: 225-7076
Commercial: (703) 695-7076
FAX: 224-9381
POC: Ms. Annie L. Andrews

AIR COMBAT COMMAND

Outsourcing organization: HQ ACC/LGC

Telephone Numbers:

DSN: 574-5373
Commercial: 804-764-5373
E-Mail: saleckl@hqacclog.af.mil
POC Capt Leslee Saleck

Outsourcing organization: HQ ACC/XPMP

Telephone Numbers:

DSN: 574-7351
Commercial: 804-7647351
POC Ms. Susan Tindall

**Air Force Civil Engineering Support Agency)
(HQ AFCESA/CESE**

ESPC Contracts

DSN: 523-6361
POC Mr Fred Beason,
E-Mail fbeason@afcesa.af.mil

Demand Side Management

DSN 523-6295
POC Mr James Snook
E-Mail: snookj@afcesa.af.mil

AIR EDUCATION AND TRAINING COMMAND

CONTRACTING:

Outsourcing organization: HQ AETC/LGCQ
Telephone Numbers:
DSN 487-4275
Commercial 210-652-4275
E-Mail: rsampson@lgc.aetc.af.mil
POC Ms Rita Sampson

Outsourcing organization: HQ AETC/XOMBC
Telephone Numbers:
DSN: 487-5589
Commercial: 210-652-5589
POC Mr. Bob Moore

AIR FORCE MATERIEL COMMAND

AFMC

Outsouricng Organization: AFMC/PKO
Telephone Numbers:
DSN: 787-3367
Commercial: 513257
E-Mail: NAME@WPGATE1.WPAFB.AF.MIL
POC Mr Dave Furry
HQ AFMC, AQ

HQ AFMC Central RFP Support Team Capt Tallmadge

Outsourcing organization: HQ AFMC/XPMQ
Telephone Numbers:
DSN: 787 6276
Commercial: 513-257-6276
POC Mr. Harvey Brewster

AIR MOBILITY COMMAND

Outsourcing Organization Title: Privatization Management Division
(HQAMC/XPC)

Telephone
DSN: 576-6205
Commercial: (618) 256-6205
E-mail address: novysd@hqamc.safb.af.mil
POC Col Steven D. Novy

MANPOWER--Command Commercial Activities Program Manager

Outsourcing organization: HQ AMC/XPMRS
Telephone Numbers:
DSN: 574-4105
Commercial: 513-257-4105
POC Ms. Mary Drolet

AIR FORCE SPACE COMMAND

Outsourcing Organization: HQ USSPC/LGCO
Telephone Numbers:
DSN: 719-554-5305
Commercial: 692-5305
E-Mail: mdodds@spacecom.af.mil
POC Lt. Colonel position
Manpower and A-76 Issues Major Townsend. XPMR, 692-9611
Privatization Lt Col Larry Lawrence, CEC, 692-5309

AIR FORCE MANAGEMENT ENGINEERING AGENCY

Outsourcing Organization: AFMEA/PLDC
Telephone Numbers:
DSN 487-5332
Commercial: 210-652 5332
E-Mail:
AFMEA Home Page: <http://www.afmea.af.mil>
Mailing address: AFMEA/PLDC
POC Mr Manuel Salazar

AIR FORCE SPECIAL OPERATIONS COMMAND

Telephone Numbers:
DSN 579-4829
Commercial: 904-884-4829
Mailing address: HQ AFSOC/XPMO
POC Ms. Glenda Hartmann

PACIFIC AIR FORCES

MANPOWER--Command Commercial Activities Program Manager

Telephone Numbers:
DSN 315-449-8972
Commercial: (808) 449-8972
Mailing address: HQ PACAF/XPMR
POC Capt Mike Williams

US AIR FORCES IN EUROPE

MANPOWER--Command Commercial Activities Program Manager

Telephone Numbers:

DSN 480-6536

Commercial: 01-149-6371-47-7259

Mailing address: HQ USAFE/XPMR

POC Ms. Deb Ewing

Outsourcing Institute (Focus on Private Industry)

www.outsourcing.com/ or 1800 421-6767

APPENDIX 2 - Policy Letters

This appendix provides complete copies of policy letters for information purposes. The letters are produced in their entirety.



POLICY LETTER 92-1

September 23, 1992

TO THE HEADS OF EXECUTIVE AGENCIES AND DEPARTMENTS

SUBJECT: Inherently Governmental Functions

Purpose. This policy letter establishes Executive Branch policy relating to service contracting and inherently governmental functions. Its purpose is to assist Executive Branch officers and employees in avoiding an unacceptable transfer of official responsibility to Government contractors.

Authority. This policy letter is issued pursuant to section 6(a) of the Office of Federal Procurement Policy (OFPP) Act, as amended, codified at 41 U.S.C. 405.

Exclusions. Services obtained by personnel appointments and advisory committees are not covered by this policy letter.

Background. Contractors, when properly used, provide a wide variety of useful services that play an important part in helping agencies to accomplish their missions. Agencies use service contracts to acquire special knowledge and skills not available in the Government, obtain cost effective services, or obtain temporary or intermittent services, among other reasons.

Not all functions may be performed by contractors, however. Just as it is clear that certain functions, such as the command of combat troops, may not be contracted, it is also clear that other functions, such as building maintenance and food services, may be contracted. The difficulty is in determining which of these services that fall between these extremes may be acquired by contract. Agencies have occasionally relied on contractors to perform certain functions in such a way as to raise questions about whether Government policy is being created by private persons. Also, from time to time questions have arisen regarding the extent to which de facto control over contract performance has been transferred to contractors. This policy letter provides an illustrative list of functions, that are, as a matter of policy, inherently governmental (see Appendix 1) and articulates the practical and policy considerations that underlie such determinations (see [[section]] 7). As stated in [[section]] 9, however, this policy letter does not purport to specify which functions are, as a legal matter, inherently governmental, or to define the factors used in making such legal determination. Thus, the fact that a function is listed in Appendix 1, or a factor is set forth in [[section]] 7(b), does not necessarily mean that the function is inherently governmental as a legal matter or that the factor would be relevant in making the legal determination.

Definition. As a matter of policy, an "inherently governmental function" is a function that is so intimately related to the public interest as to mandate performance by Government employees. These functions include those activities that require either the exercise of discretion in applying Government authority or the making of value judgments in making decisions for the Government. Governmental functions normally fall into two categories: (1) the act of governing, i.e., the discretionary exercise of Government authority, and (2) monetary transactions and entitlements.

An inherently governmental function involves, among other things, the interpretation and execution of the laws of the United States so as to:

- (a) bind the United States to take or not to take some action by contract, policy, regulation, authorization, order, or otherwise;
- (b) determine, protect, and advance its economic, political, territorial, property, or other interests by military or diplomatic action, civil or criminal judicial proceedings, contract management, or otherwise;
- (c) significantly affect the life, liberty, or property of private persons;
- (d) commission, appoint, direct, or control officers or employees of the United States; or
- (e) exert ultimate control over the acquisition, use, or disposition of the property, real or personal, tangible or intangible, of the United States, including the collection, control, or disbursement of appropriated and other Federal funds. Inherently governmental functions do not normally include gathering information for or providing advice, opinions, recommendations, or ideas to Government officials. They also do not include functions that are primarily ministerial and internal in nature, such as building security; mail operations; operation of cafeterias; housekeeping; facilities operations and maintenance, warehouse operations, motor vehicle fleet management and operations, or other routine electrical or mechanical services. The detailed list of examples of commercial activities found as an attachment to Office of Management and Budget (OMB) Circ A-76. No. COST COMPARISON is an authoritative, nonexclusive list of functions that are not inherently governmental functions. These functions therefore may be contracted.

Policy.

(a) Accountability. It is the policy of the Executive Branch to ensure that Government action is taken as a result of informed, independent judgments made by Government officials who are ultimate accountable to the President. When the Government uses service contracts, such informed, independent judgment is ensured by:

- (1) prohibiting the use of service contracts for the performance of inherently governmental functions (See Appendix 1);
 - (2) providing greater scrutiny and an appropriate enhanced degree of management oversight (see subsection 7(f)) when contracting for functions that are not inherently governmental but closely support the performance of inherently governmental functions (see Appendix 2);
 - (3) ensuring, in using the products of those contracts, that any final agency action complies with the laws and policies of the United States and reflects the independent conclusions of agency officials and not those of contractors who may have interests that are not in concert with the public interest, and who may be beyond the reach of management controls otherwise applicable to public employees; and
 - (4) ensuring that reasonable identification of contractors and contractor work products is made whenever there is a risk that the public, Congress, or other persons outside of the Government might confuse them with Government officials or with Government work products, respectively.
- (b) OMB Circular No. A-76. This policy letter does not purport to supersede or otherwise effect any change in OMB Circular No. A-76, Performance of Commercial Activities.
- (c) Drafting of Congressional testimony, responses to Congressional correspondence, and agency responses to audit reports from an Inspector General, the General Accounting Office, or other Federal audit entity. While the approval of a Government document is an inherently governmental function, its drafting is not necessarily such a function. Accordingly, in most situations the drafting of a document, or portions thereof, may be contracted, and the agency should review and revise the draft document, to

the extent necessary, to ensure that the final document expresses the agency's views and advances the public interest. However, even though the drafting function is not necessarily an inherently government function, it may be inappropriate, for various reasons, for a private party to draft a document in particular circumstances. Because of the appearance of private influence with respect to documents that are prepared for Congress or for law enforcement or oversight agencies and that may be particularly sensitive, contractors are not to be used for the drafting of Congressional testimony; responses to Congressional correspondence; or agency responses to audit reports from an Inspector General, the General Accounting Office, or other Federal audit entity.

Guidelines. If a function proposed for contract performance is not found in Appendix 1, the following guidelines will assist agencies in understanding the application of this policy letter, determining whether the function is, as a matter of policy, inherently governmental and forestalling potential problems.

(a) The exercise of discretion. While inherently governmental functions necessarily involve the exercise of substantial discretion, not every exercise of discretion is evidence that such a function is involved. Rather, the use of discretion must have the effect of committing the Federal Government to a course of action when two or more alternative courses of action exist (e.g., purchasing a minicomputer than a mainframe computer, hiring a statistician rather than an economist, supporting proposed legislation rather than opposing economist, supporting proposed legislation rather than opposing it, devoting more resources to prosecuting one type of criminal case than another, awarding a contract to one firm rather than another, adopting one policy rather than another, and so forth). A contract may thus properly be awarded where the contractor does not have the authority to decide on the course of action to be pursued but is rather tasked to develop options to inform an agency decision maker, or to develop or expand decisions already made by Federal officials. Moreover, the mere fact that decisions are made by the contractors in performing his or her duties (e.g., how to allocate the contractor's own or subcontract resources, what techniques and procedures to employ, whether and whom to consult, what research alternatives to explore given the scope of the contract, what conclusions to emphasize, how frequently to test) is not determinative of whether he or she is performing an inherently government function.

(b) Totality of the circumstances. Determining whether a function is an inherently governmental function often is difficult and depends upon an analysis of the factors of the case. Such analysis involves consideration of a number of factors, and the presence or absence of any one is not in itself determinative of the issue. Nor will the same emphasis necessarily be placed on any one factor at different times, due to the changing nature of the Government's requirements. The following factors should be considered when deciding whether award of a contract might effect, or the performance of a contract has effected, a transfer of official responsibility:

- (1) Congressional legislative restrictions or authorizations.
- (2) The degree to which official discretion is or would be limited, i.e., whether the contractor's involvement in agency functions is or would be so extensive or his or her work product is so far advanced toward completion that the agency's ability to develop and consider options other than those provided by the contractor is restricted.
- (3) In claims adjudication and related services,
 - (i) the finality of any contractor's action affecting individual claimants or applicants, and whether or not review of the contractor's action is *de novo* (i.e., to be effected without the appellate body's being bound by prior legal rulings or factual determinations) on appeal of his or her decision to an agency official;
 - (ii) the degree to which contractor activities may involve wide-ranging interpretations of complex, ambiguous case law and other legal authorities, as opposed to being circumscribed by detailed laws, regulations, and procedures.
 - (iii) the degree to which matters for decision by the contractor involve recurring fact patterns or unique fact patterns; and
 - (iv) The contractor's discretion to determine an appropriate award or penalty.

- (4) The contractor's ability to take action that will significantly and directly affect the life, liberty, or property of individual members of the public, including the likelihood of the contractor's need to resort to force in support of a police or judicial function; whether force, especially deadly force, is more likely to be initiated by the contractor or by some other person; and the degree to which force may have to be exercised in public or relatively uncontrolled areas. (Note that contracting for guard, convoy security, and plant protection services, armed or unarmed, is not proscribed by these policies.)
- (5) The availability of special agency authorities and the appropriateness of their application to the situation at hand, such as the power to deputize private persons.
- (6) Whether the function in question is already being performed by private persons, and the circumstances under which it is being performed by them.
- (c) Finality of agency determinations. Whether or not a function is an inherently governmental function, for purposes of this policy letter, is a matter for agency determination. However, agency decisions that a function is or is not an inherently governmental function may be reviewed, and, if necessary, modified by appropriate OMB officials.
- (d) Preaward responsibilities. Whether a function being considered for performance by contract is an inherently governmental function is an issue to be addressed prior to issuance of the solicitation.
- (e) Post-award responsibilities. After award, even when a contract does not involve performance of an inherently governmental function, agencies must take steps to protect the public interest by playing an active, informed role in contract administration. This ensures that contractors comply with the terms of the contract and that Government policies, rather than private ones, are implemented. Such participation should be appropriate to the nature of the contract, and should leave no doubt that the contract is under the control of Government officials. This does not relieve contractors of their performance responsibilities under the contract. Nor does this responsibility to administer the contract require Government officials to exercise such control over contractor activities to convert the contract, or portion thereof, to a personal service contract. In deciding whether Government officials have lost or might lose control of the administration of a contract, the following are relevant considerations: the degree to which agencies have effective management procedures and policies that enable meaningful oversight of contractor performance, the resources available for such oversight, the actual practice of the agency regarding oversight, the duration of the contract, and the complexity of the tasks to be performed.
- (f) Management controls. When functions described in Appendix 2 are involved, additional management attention to the terms of the contract and the manner of performance is necessary. How close the scrutiny or how extensive or stringent the management controls need to be is for agencies to determine. Examples of additional control measures that might be employed are:
- (1) developing carefully crafted statements of work and quality assurance plans, as described in OFPP Policy Letter 91-2 Service Contracting, that focus on the issue of Government oversight and measurement of contractor performance;
 - (2) establishing audit plans for periodic review of contracts by Government auditors;
 - (3) conducting preaward conflict of interest reviews to ensure contract performance in accordance with objective standards and contract specifications;
 - (4) physically separating contractor personnel from Government personnel at the worksite; and
 - (5) requiring contractors to (a) submit reports that contain recommendations and that explain and rank policy or action alternatives, if any, (b) describe what procedures they used to arrive at their recommendations, (c) summarize the substance of their deliberations, (d) report any dissenting views, (e) list sources relied upon, and/or (f) otherwise make clear the methods and considerations upon which their recommendations are based.
- (g) Identification of contractor personnel and acknowledgment of contractor participation. Contractor personnel attending meetings, answering Government telephones, and working in other situations where their contractor status is not obvious to third parties must be required to identify themselves as such to avoid creating an impression in the minds of members of the public or the Congress that they are Government officials, unless, in the judgment of the agency, no harm can come from failing to identify themselves. All documents or reports produced by contractors are to be suitably marked as contractor products.

(h) Degree of reliance. The extent of reliance on service contractors is not by itself a cause for concern. Agencies must, however, have a sufficient number of trained and experienced staff to manage Government programs properly. The greater the degree of reliance on contractors the greater the need for oversight by agencies. What number of Government officials is needed to oversee a particular contract is a management decision to be made after analysis of a number of factors. These include, among others, the scope of the activity in question; the technical complexity of the project or its components; the technical capability, numbers, and workload of Federal oversight officials; the inspection techniques available; and the importance of the activity. Current contract administration resources shall not be determinative. The most efficient and cost effective approach shall be utilized.

(I) Exercise of approving or signature authority. Official responsibility to approve the work of contractors is a power reserved to Government officials. It should be exercised with a thorough knowledge and understanding of the contents of documents submitted by contractors and a recognition of the need to apply independent judgment in the use of these work products.

Responsibilities.

(a) Heads of agencies. Heads of departments and agencies are responsible for implementing this policy letter. While these policies must be implemented in the Federal Acquisition Regulation (FAR), it is expected that agencies will take all appropriate actions in the interim to develop implementation strategies and initiate staff training to ensure effective implementation of these policies.

(b) Federal Acquisition Regulatory Council. Pursuant to subsections 6(a) and 25(f) of the OFPP Act, as amended, 41 U.S.C. [section][[section]] 405(a) and 421(f), the Federal Acquisition Regulatory Council shall ensure that the policies established herein are incorporated in the FAR within 210 days from the date this policy letter is published in the Federal Register. Issuance of final regulations within this 210-day period shall be considered issuance "in a timely manner" as prescribed in 41 U.S.C. [section] 405(b).

(c) Contracting officers. When requirements are developed, when solicitations are drafted, and when contracts are being performed, contracting officers are to ensure:

(1) that functions to be contracted are not among those listed in Appendix 1 of this letter and do not closely resemble any functions listed here;

(2) that functions to be contracted that are not listed in Appendix 1, and that do not closely resemble them, are not inherently governmental functions according to the totality of the circumstances test in subsection 7(b), above;

(3) that the terms and the manner of performance of any contract involving functions listed in Appendix 2 of this letter are subject to adequate scrutiny and oversight in accordance with subsection 7(f), above; and

(4) that all other contractible functions are properly managed in accordance with subsection 7(e), above.

(d) All officials. When they are aware that contractor advice, opinions, recommendations, ideas, reports, analyses, and other work products are to be considered in the course of their official duties, all Federal Government officials are to ensure that they exercise independent judgment and critically examine these products.

Judicial review. This policy letter is not intended to provide a constitutional or statutory interpretation of any kind and it is not intended, and should not be construed, to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person. It is intended only to provide policy guidance to agencies in the exercise of their discretion concerning Federal contracting. Thus, this policy letter is not intended, and should not be construed, to create any substantive or procedural basis on which to challenge any agency action or inaction on the ground that such action or inaction was not in accordance with this policy letter.

Information contact. For information regarding this policy letter contact Richard A. Ong, Deputy Associate Administrator, the Office of Federal Procurement Policy, 725 17th Street, N.W., Washington, DC 20503. Telephone (202) 395-7209.

Effective date. This policy letter is effective 30 days after the date of publication.

(signed by)
Allan V. Burman
Administrator

The following is an illustrative list of functions considered to be inherently governmental functions: (footnote: With respect to the actual drafting of Congressional testimony, of responses to Congressional correspondence, and of agency responses to audit reports from the Inspector General, the General Accounting Office, or other Federal audit entity, see special provisions in subsection 6(c) of the text of the policy letter)

The direct conduct of criminal investigation.

The control of prosecutions and performance of adjudicatory functions (other than those relating to arbitration or other methods of alternative dispute resolution).

The command of military forces, especially the leadership of military personnel who are members of the combat, combat support or combat service support role.

The conduct of foreign relations and the determination of foreign policy.

The determination of agency policy, such as determining the content and application of regulations, among other things.

The determination of Federal program priorities or budget requests.

The direction and control of Federal employees.

The direction and control of intelligence and counter-intelligence operations.

The selection or nonselection of individuals for Federal Government employment.

The approval of position descriptions and performance standards for Federal employees.

The determination of what Government property is to be disposed of and on what terms (although an agency may give contractors authority to dispose of property at prices with specified ranges and subject to other reasonable conditions deemed appropriate by the agency).

In Federal procurement activities with respect to prime contracts,

- (a) determining what supplies or services are to be acquired by the Government (although an agency may give contractors authority to acquire supplies at prices within specified ranges and subject to other reasonable conditions deemed appropriate by the agency);
- (b) participating as a voting member on any source selection boards;
- (c) approval of any contractual documents, to include documents defining requirements, incentive plans, and evaluation criteria;
- (d) awarding contracts;
- (e) administering contracts (including ordering changes in contract performance or contract quantities, taking action based on evaluations of contractor performance, and accepting or rejecting contractor products or services);
- (f) terminating contracts; and
- (g) determining whether contract costs are reasonable, allocable, and allowable.

The approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and the approval of agency responses to the administrative appeals of denials of Freedom of Information Act requests.

The conduct of administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in Government programs.

The approval of Federal licensing actions and inspections.

The determination of budget policy, guidance, and strategy.

The collection, control, and disbursement of fees, royalties, duties, fines, taxes and other public funds, unless authorized by statute, such as title 31 U.S.C. [[section]] 952 (relating to private collection contractors) and title 31 U.S.C. [[section]] 3718 (relating to private attorney collection services), but not including:

(a) collection of fees, fines, penalties, costs or other charges from visitors to or patrons of mess halls, post or base exchange concessions, national parks, and similar entities or activities, or from other persons, where the amount to be collected is easily calculated or predetermined and the funds collected can be easily controlled using standard cash management techniques, and (b) routine voucher and invoice examination.

The control of the treasury accounts.

The administration of public trusts

B

The following list is of services and actions that are not considered to be inherently governmental functions. However, they may approach being in that category because of the way in which the contractor performs the contract or the manner in which the government administers contractor performance. When contracting for such services and actions, agencies should be fully aware of the terms of the contract, contractor performance, and contract administration to ensure that appropriate agency control is preserved. This is an illustrative listing, and is not intended to promote or discourage the use of the following types of contractor services:

Services that involve or relate to budget preparation, including workload modeling, fact finding, efficiency studies, and should-cost analyses, etc.

Services that involve or relate to reorganization and planning activities.

Services that involve or relate to analyses, feasibility studies, and strategy options to be used by agency personnel in developing policy.

Services that involve or relate to the development of regulations.

Services that involve or relate to the evaluation of another contractor's performance.

Services in support of acquisition planning.

Contractors' providing assistance in contract management (such as where the contractor might influence official evaluations of other contractors).

Contractors' providing technical evaluation of contract proposals.

Contractors' providing assistance in the development of statements of work.

Contractors' providing support in preparing responses to Freedom of Information Act requests.

Contractors' working in any situation that permits or might permit them to gain access to confidential business information and/or any other sensitive information (other than situations covered by the Defense Industrial Security Program described in FAR 4.402(b)).

Contractors' providing information regarding agency policies or regulations, such as attending conferences on behalf of an agency, conducting community relations campaigns, or conducting agency training courses.

Contractors' participating in any situation where it might be assumed that they are agency employees or representatives.

Contractors' participating as technical advisors to a source selection board or participating as voting or nonvoting members of a source evaluation board.

Contractors' serving as arbitrators or providing alternative methods of dispute resolution.

Contractors' constructing buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments.

Contractors' providing inspection services.

Contractors' providing legal advice and interpretations of regulations and statutes to Government officials.

Contractors' providing special non-law enforcement, security activities that do not directly involve criminal investigations, such as prisoner detention or transport and non-military national security details.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
Washington, D.C.

April 9, 1991

POLICY LETTER 91-2

TO THE HEADS OF EXECUTIVE AGENCIES AND DEPARTMENTS

SUBJECT: Service Contracting

1. Purpose. This Policy Letter establishes policy for the Government's acquisition of services by contract. It emphasizes the use of performance requirements and quality standards in defining contract requirements, source selection, and quality-assurance. This approach provides the means to ensure that the appropriate performance quality level is achieved, and that payment is made only for services which meet contract standards.
2. Authority. This Policy Letter is issued pursuant to section 6(a) of the Office of Federal Procurement Policy (OFPP) Act, as amended, codified at 41 U.S.C. section 405.
3. Definitions.
 - a. "Performance-based contracting" means structuring all aspects of an acquisition around the purpose of the work to be performed as opposed to either the manner by which the work is to be performed or broad and imprecise statements of work.
 - b. "Services" are defined as the performance of identifiable tasks rather than the delivery of an end item of supply. "Services" also include tasks that are delivered under a contract where the primary purpose is to provide supplies. For the purpose of this Policy Letter architect-engineer services acquired in accordance with the Brooks Act (P.L. 92-582, as amended) and for construction are excluded.
4. Background. Each year the government contracts for a significant amount of services. Such services range from the routine maintenance of facilities or equipment to highly sophisticated technical and management assistance such as the design, development and furnishing of systems, or expert assistance for management and program activities. Attempts to apply contracting methods which are inappropriate to the services being acquired have often resulted in unsatisfactory performance and contract administration problems, as reflected in several internal agency investigations and evaluations, General Accounting Office Reports, and OFPP studies. These reports criticized unnecessarily vague statements of work, insufficient use of firm pricing arrangements, the lack of quantifiable performance standards, and the inadequacy of quality assurance surveillance. In addition, there is concern that the Government underemphasizes quality vs. price in the acquisition of services. The use of performance-based service contracting methods enhances the Government's ability to acquire services of the requisite quality and to ensure adequate contractor performance.
5. Policy. It is the policy of the Federal Government that (1) agencies use performance-based contracting methods to the maximum extent practicable when acquiring services, and (2) agencies carefully select acquisition and contract administration strategies, methods, and techniques that best accommodate the requirements. In addition, agencies shall justify the use of other than performance-based contracting methods when acquiring services, and document affected contract files. Performance-based contracting methods consist of the following:

- a. Statement of work. When preparing statements of work, agencies shall, to the maximum extent practicable, describe the work in terms of "what" is to be the required output rather than "how" the work is to be accomplished. To assist in refining statements of work, consideration shall be given to issuing draft solicitations.
- b. Quality assurance. Agencies shall, to the maximum extent practicable, assign contractors full responsibility for quality performance. Agencies shall develop formal, measurable (i.e., in terms of quality, timeliness, quantity, etc.) performance standards and surveillance plans to facilitate the assessment of contractor performance and the use of performance incentives and deduction schedules. Agencies shall, to the maximum extent practicable, avoid relying on cumbersome and intrusive process-oriented inspection and oversight programs to assess contractor performance.
- c. Selection procedures. Agencies shall use competitive negotiations for acquisitions where the quality of performance over and above the minimum acceptable level will enhance agency mission accomplishment and be worth the corresponding increase in cost. This approach will apply to most technical and professional services. In such instances, contracting activities shall give careful consideration to developing evaluation and selection procedures that utilize quality-related factors such as: technical capability; management capability; cost realism; and past performance. These factors shall receive increased emphasis to the extent requirements are more complex and less clearly defined. The desired relative importance among these factors and between these factors and price shall be determined, and they shall be applied as stated in the solicitations. To ensure application of cost realism, cost proposals shall be reviewed to assess offerors' understanding of the requirements and consistency with their technical proposals. Special attention shall be directed to limited opportunities for technical leveling and technical transfusion. Technical leveling and technical transfusion discourages offerors from proposing innovative methods of performance and often result from repeated discussions and the submission of revised offers based on these discussions. Opportunities for discussions and revisions of offers shall be limited to the extent practicable. Sealed bidding shall be used when the goal of the acquisition is to achieve the desired service at the lowest price with minimum stated acceptable quality.
- d. Contract type. Contract types most likely to motivate contractors to perform at optimal levels shall be chosen. Fixed price contracts are appropriate for services that can be objectively defined and for which risk of performance is manageable. In most instances, services that are routine, frequently acquired, and require no more than a minimal acceptable level of performance fall into this category. For such acquisitions, performance-based statements of work and measurable performance standards and surveillance plans shall be developed and fixed price contracts shall be preferred over cost reimbursement contracts. Cost reimbursement contracts are appropriate for services that can only be defined in general terms and for which the risk of performance is not reasonably manageable. Complex or unique services for which quality of performance is paramount frequently fall into this category. Furthermore, to the maximum extent practicable, contracts shall include incentive provisions to ensure that contractors are rewarded for good performance and quality assurance deduction schedules to discourage unsatisfactory performance. These provisions shall be based on measurement against predetermined performance standards and surveillance plans.
- e. Repetitive requirements. When acquiring services which previously have been provided by contract, agencies shall rely on the experience gained from the prior contract to incorporate performance-based acquisition methods. For such follow-on requirements, statements of work shall further describe the services in terms of "what" is to be performed, and performance standards and surveillance plans shall be more definitive than those for the prior acquisition. Where appropriate, conversion from a cost reimbursement to fixed price arrangement shall be accomplished and, whenever possible, incentive provisions and quality assurance deduction schedules shall be introduced.

f. Multiyear contracting. Agencies with statutory multiyear authority shall consider the use of such authority when acquiring services. The use of such authority will increase competition by offering a more stable, long-term contracting environment. It will also encourage offerors to invest in the development and implementation of innovative and efficient methods of performance by ensuring recoupment of these investments.

6. Responsibilities.

a. Federal Acquisition Regulatory Council. The Federal Acquisition Regulatory Council shall ensure that Government-wide regulations to conform to the policies established herein are promulgated in the first Federal Acquisition Circular issued 120 days after the effective date of this Policy Letter. These regulations shall include a framework for individually tailoring the source selection method, type of contract, and contract administration techniques to fit the requirement, and for agencies to document the reasons(s) for not using performance based contracting methods as prescribed by that framework.

b. Heads of Agencies. Heads of agencies are encouraged to implement the policies established herein and initiate any necessary staff training upon the effective date of this Policy Letter.

7. Information Contract. For information regarding this Policy Letter contact Stanley Kaufman, Deputy Associate Administrator, Office of Federal Procurement Policy, 725 17th Street, NW, Washington DC 20503, telephone (202) 395-6803.

8. Effective Date. This Policy Letter is effective 30 days after the date of issuance.

Allan V. Burman
Administrator

Appendix 3 Outsourcing Statutes

10 U.S.C. 2461	Commercial or industrial type functions: required studies and reports before conversion to contractor performance
10 U.S.C. 2462	Contracting for certain supplies and services required when cost is lower
10 U.S.C. 2463	Reports on savings or costs from increased use of DoD civilian personnel
10 U.S.C. 2464	Core Logistics Functions
10 U.S.C. 2465	Prohibition on contracts for performance of firefighting or security-guard functions
10 U.S.C. 2466	Limitations on the performance of depot-level maintenance of materiel
10 U.S.C. 2467	Cost comparison requirements with respect to retirement costs and consultations with employees
10 U.S.C. 2468	Military installations: authority of base commanders over contracting for commercial activities
28 U.S.C. 2801	Alternative Authority for Construction of Military Housing
PL 104-61,8020	Cost Comparison Required: Functions with more than 10 Federal Civilians
PL 104-61,8037	Cost comparison Time Restrictions
PL 103-226	Federal Workforce Restructuring Act of

APPENDIX 4 - Sample Sections L & M from Best Value Solicitation For BOS

SOLICITATION NUMBER

PART IV - REPRESENTATIONS AND INSTRUCTIONS SECTION L INSTRUCTIONS, CONDITIONS AND NOTICES TO OFFERORS OR QUOTERS

52.252-1 SOLICITATION PROVISIONS INCORPORATED BY REFERENCE JUN 1988 IAW FAR 52.107(a)

This solicitation incorporates one or more solicitation provisions by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available.

L-2. 52.207-2 NOTICE OF COST COMPARISON (NEGOTIATED) FEB 1993 (IAW FAR 7.305 (b))

For the purposes of this provision the blank(s) are completed as follows:

- (c)(1)(i) 15 working days
- (c)(2)(i) 15 working days

L-8 52.211-14 NOTICE OF PRIORITY RATING FOR NATIONAL SEP 1990 DEFENSE USE (IAW FAR 11.604(a))

For the purposes of this provision, the blanks are completed on the cover sheet.

L-30G. 52.214-35 SUBMISSION OF OFFERS IN U.S. CURRENCY APR 1991 (IAW FAR 14.201-6(y), 15.407(m), and 25.408(d))

L-33 52.215-5 SOLICITATION DEFINITIONS JUL 1987 (IAW FAR 15.407(c)(1))

L-34 52.215-7 UNNECESSARILY ELABORATE PROPOSALS OR APR 1984 QUOTATIONS (IAW FAR 15.407(c)(3))

L-35. 52.215-8 AMENDMENTS TO SOLICITATIONS DEC 1989 (IAW FAR 15.407(c)(4))

L-36. 52.215-9 SUBMISSION OF OFFERS JUL 1995 (IAW FAR 15.407(c)(5), and DFARS 211.7004-(b)(2))

L-37. 52.215-10 LATE SUBMISSION, MODIFICATIONS, AND JUL 1995 WITHDRAWALS OF PROPOSALS (IAW FAR 15.407(c)(96))

L-38. 52.215-12 RESTRICTION ON DISCLOSURE AND USE OF DATA APR 1984 (IAW FAR 15.407(c)(8) and DFARS 211.704-6(b)(2))

L-39. 52.215-13 PREPARATION OF OFFERS APR 1984 (IAW FAR 15.407(d)(1) and DFARS 211.7004-6(b)(2))

L-40. 52.215-14 EXPLANATION TO PROSPECTIVE OFFERORS JUL 1984 (IAW FAR 15.407(d)(2) and DFARS 211.7004-6(b)(2))

L-41. 52.215-15 FAILURE TO SUBMIT OFFER JUL 1995 (IAW FAR 15.407 (d)(3))

Section L

SOLICITATION NUMBER

L-42. 52.215-16 CONTRACT AWARD OCT 1995
(IAW FAR 15.407(d)(4))

L-42G. 52.215-16 ALTERNATE II OCT 1995
(IAW FAR 15.407(d)(4)(ii))

L-65C. 52.216-1 TYPE OF CONTRACT APR 1984
(IAW FAR 16.105 and DFARS 211.7004-6(b)(2))

For the purposes of this provision the blank(s) are completed as follows:_____

L-91. 52.222-24 PREAWARD ON-SITE EQUAL OPPORTUNITY COMPLIANCE APR 1984
REVIEW
(IAW FAR 22.810(c))

L-120. 52.233-2 SERVICE OF PROTEST OCT 1995
(IAW FAR 33.106(a))

(a) Protests, as defined in section 33.101 of the Federal Acquisition Regulation, that are filed directly with an agency, and copies of any protests that are filed with General Accounting Office (GAO) or the General Services Administration Board of Contract Appeals (GSBCA), shall be served on the Contracting Officer (addressed as follows) by obtaining written and dated acknowledgment of receipt_____

rom_____

(b) The copy of any protest shall be received in the office designated above on the same day a protest is filed with GSBCA or within one of filing a protest with the GAO.

(c) In this procurement, you may not protest to the GSBCA because of the nature of the supplies or services being procured.

L-125. 52.237-1 SITE VISIT APR 1984
(IAW FAR 37.110(a))

L-140. 52.252-3 ALTERATIONS IN SOLICITATION APR 1984
(IAW FAR 52.107(c))

Portions of this solicitation are altered as follows:

None

L-141. 52.252-5 AUTHORIZED DEVIATIONS IN PROVISIONS APR 1984
(IAW FAR 52.107(e))

(a) The use in this solicitation of any Federal Acquisition Regulation (48 CFR Chapter 1) provision with an authorized deviation is indicated by the addition of “(DEVIATION)” after the date of the provision.

(b) The use in this solicitation of any Defense Federal Acquisition Regulation Supplement (48 CFR Chapter 2) provision with an authorized deviation is indicated by the addition of “(DEVIATION)” after the name of the regulation.

L-204. 252.204-7001 COMMERCIAL AND GOVERNMENT ENTITY (CAGE) CODE DEC 1991
REPORTING
(IAW DFARS 204.603-70)

252.227-7017 IDENTIFICATION AND ASSERTION OF USE, RELEASE JUN 1995
OR DISCLOSURE RESTRICTION
(IAW DFARS 227.7103-6(b), 227.7104(e)(2), or 227.7203-3(a))

252.227-7028 TECHNICAL DATA OR COMPUTER SOFTWARE PREVIOUSLY JUN 1995
DELIVERED TO THE GOVERNMENT
(IAW DFARS 227.7103-6(d), 227.7104(f)(2), OR 227.7203-6(e))

L-326. NOTICE TO OFFERS
(IAW AFAC 92-38 (ITEM E1))

Funds are not presently available for this project. No award will be made until funds are available to make payments under a contract. The Government reserves the right to cancel this solicitation, either before or after bid opening/RFP closing, with no obligation to the offer by the Government.

L-607. 5352.236-9004 SITE VISIT JUL 1993
(IAW AETCFARS 5336.210 and 5337.110(a))

A site visit is scheduled for _____ on _____. Bidders/offerors should be at the _____ at this time and date to view the work site and present pertinent questions. Bidders/offerors should visit the site and take such other steps as may be reasonably necessary to ascertain the nature and location of work, and the general and local conditions which can affect the work or cost thereof. Failure to do so will not relieve bidders/offerors from performing the work. The Government will assume no responsibility for any understanding or representations concerning conditions made by any of its officers or agents prior to the execution of the contract, unless included in the invitation for bids/request for proposals, the specifications, or related documents.

L-608. 5352.236-9005 PREPERFORMANCE CONFERENCE JUL 1993
(IAW AETCFARS 5336.305)

Offerors/bidders are hereby advised, if they are awarded a contract as a result of this solicitation, they may be required to appear at the Contracting Office, _____, to attend a preperformance conference prior to commencement of any work on the military installation.

L-901. PROPOSAL CONFERENCE

A preproposal conference will be held in conjunction with the site visit (see L-607 above). The site visit will be conducted prior to Question & Answer portion of the preproposal conference. Prospective offerors are to submit, in writing to the Contracting Officer issuing the solicitation, any questions they have at the conference. The questions will be addressed in minutes of the conference and if required, by an amendment to the solicitation. Any addition questions must be received no later than _____

_____ to ensure timely extended due to untimely submission of questions by offerors. Prospective offerors planning to attend the preproposal conference are requested to contract _____ to confirm intention of attendance and number/names of attendees.

L-902. INQUIRIES BY OFFERORS

All questions regarding this solicitation should be directed IN WRITING to:

L-905 CURRENT MANPOWER AUTHORIZATION

The following information on manpower authorizations at Columbus AFB is provided for information purposes only and is not to be construed as the Government's manpower requirement for this solicitation:

<u>FUNCTIONAL AREA</u>	<u>MANPOWER AUTHORIZATIONS</u>		
	<u>Military</u>	<u>Civilian</u>	<u>Total</u>
CIVIL ENGINEERING (includes Military Family Housing)	95	65	160
LODGING (includes Linen Exchange)	8	4	12
SUPPLY (Does NOT include Fuels)	90	45	135
TRANSPORTATION (Does NOT include Vehicle Operations & Maintenance)	27	15	42

L-906. DISPOSITION OF PROPOSALS

No cost or technical proposals will be returned after the contract is awarded. All originals will be made part of the official contract file. Copies of proposals submitted by the awardee may be retained for contract administration purposes. All other copies of all proposals (cost and technical) will be disposed of under proper security procedures.

L-903 PROPOSAL SUBMISSION REQUIREMENTS

a. Purpose. These instructions prescribe the format of the proposal and describe the approach for the development and presentation of proposal data. The instructions are designed to ensure the submission of necessary information to provide for the understanding and comprehensive evaluation of the proposal. Offerors are cautioned to follow the detailed instructions fully and carefully, as the Government reserves the right to make an award based on initial offers received, without discussion of such offers.

b. The following specific instructions are applicable to the listed sections of the solicitation. Provide the completed documentation in the original copy of the cost proposal.

(1) Section A. Complete the "Signature of Offer/Contractor" part of the Standard Form 1447 in Block 27. An authorized official of the firm must sign the Standard Form 1447.

(2) Section B. Price information will be entered in Section B.

(3) Section G. Complete G-603 for remittance address.

(4) Section I. Complete the appropriate representations, certifications, etc., in this section.

(5) Section K. Complete the appropriate representations, certifications, etc., in the section.

(6) Section L. Provide all information/documentation specifically requested in this section.
Read this section fully, completely, and carefully.

(7) Section M. Complete Appendices A thru F to Attachment 1, Section M, entitled
“Manpower Matrix”. Read this section fully, completely, and carefully.

c. Cost Proposal. The cost proposal should provide a complete breakdown of costs including direct labor hours and rates, labor overhead material costs, subcontract costs, G&A, profit, etc. The format below shall be used to summarize the costs proposed for each CLIN, each year, and total costs.

**SUMMARY COST BREAKDOWN

For each CLIN, each year, a summary cost breakdown must be provided in the following format (in addition, include a total cost summary breakdown for all years):

Productive Labor Hours _____
(includes all direct and indirect labor
to be utilized in performance of the contract

Total Overtime Hours _____

Total Productive Labor Hours _____

Productive Labor Dollars \$ _____
(Includes Health and Welfare)

Total Overtime Dollars \$ _____

Total Productive Labor Dollars \$ _____

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Non-productive Labor Hours _____
 (Includes sick leave, vacation, holidays, etc.)
 Non-Productive Labor Dollars \$ _____
 Total Payroll Taxes \$ _____
 ____% Rate FICA \$ _____
 ____% Rate FUTA \$ _____
 ____% Rate SUTA \$ _____

Other Direct Costs (Includes all cost elements which \$ _____
 cannot be identified in any other listed category (e.g., identified in any other listed category (e.g.,
 Workmen's Compensation, etc)

G&A ____% Rate \$ _____

Profit \$ _____

Total \$ _____

Please state, by year, the number of man-years priced. _____

Cost details which are fully trackable must be provided to support this summary cost breakdown. Narrative discussions must be provided to show how costs from the backup details are brought forward to this summary cost breakdown.

 **

Failure to incorporate this format may cause your proposal to be unacceptable. Back-up details for this breakdown should be sufficient to allow the Government to perform a complete cost analysis and audit if necessary. It should be detailed by function and cost elements which can readily be related to the various segments of your technical proposal. Details should include, but not be limited to:

(1) Number of personnel, or man-year requirements for each activity or job classification (All manpower should be provided in the "Manpower matrix" format located at Section M.)

(2) Average annual salary (to support activities and/or job classifications provided in response to the previous paragraph and total personnel cost.

(NOTE: The above information should be provided for each function within each CLIN as well as an annual summary of all Sub-CLINs within a functional area.)

(3) The proposal should show detailed justification to substantiate mobilization costs.

(4) The proposal should also show an overview of how contract costs are tracked within your company. This overview should provide insight as to how hours are recorded from the laborer through management, how each task can be broken down to indicate the exact hours and cost for any task, and the accountability of any materials and parts for a contract. In addition, this overview should indicate how the G&A and overhead dollars are tracked to assure proper distribution among individual contracts.

(5) Include G & A for the last two to three years to support the above G & A.

(6) Evidence of Financial Capability. Financial capability shall be evidenced in the Cost Proposal by a current financial statement of the individual, firm, or corporation, certified by a reputable independent accounting firm, if practicable, or at least by an authorization officer of the organization. In

addition to the above, submit evidence of availability of operating capital which will be used for the performance of the resultant contract.

(7) A Certificate of Current Cost and Pricing Data and SF 1411s are not required for this solicitation.

(8) The cost proposal shall be submitted in an original and three copies. One copy of the cost proposal shall have all dollar amounts deleted so that the manning, materials, and equipment proposed in the cost proposal may be compared to the manning, materials, and equipment proposed in the technical proposal. (NOTE: If you elect to submit vendor quotes in support of cost proposal estimates, they may omitted form the unpriced proposal.)

(9) Failure to provide the information requested in this section may result in your proposal not being evaluated for contract award due to lack of information concerning an adequate accounting system. An adequate accounting system is a prerequisite for award of cost reimbursable CLINs.

d. Technical proposal. The technical proposal shall contain sufficient information to enable the evaluator to make a complete analysis of the proposal with respect to the evaluation criteria listed below and in Section M. All available information pertaining specifically to those criteria should be included, as well as any other information which the offeror feels would demonstrate ability to accomplish the project. An executive summary shall be included at the beginning of the technical proposal. The technical proposal shall contain no specific cost information and shall be separate from the cost proposal. The technical proposal shall be submitted in an original and five copies. The Performance Work Statements (PWS) are provided to indicate what the Government expects of the successful offeror. Proposals should explain HOW the offeror intends to perform to meet those requirements. Simply restating the provisions in the PWS is not acceptable and may result in the entire proposal receiving an unacceptable rating. To eliminate duplication of text and avoid exceeding the page limitation, civil engineering (210), supply/fuels management (160), and transportation (150), offerors should use cross-references within their proposal and provide a clear, consistent reference system (section, paragraph, page, etc.).

(1) Proposals submitted shall be organized and presented as follows:

i. An Executive Summary to include proposed man-years (total and for each area) and organizational structure.

ii. Volumes for functional grouping shall be prepared and labeled as follows:

Volume I - Civil Engineering

Volume II - Supply/Fuels

Volume III- Transportation

Volume IV - Combined Functions (Optional - Identify Functions In Title)

iii. The volumes for a particular grouping should be numbered as shown above regardless of how many groupings are proposed. For example, an offer submitting a proposal for only the supply/fuels grouping will number the volume as "Volume II". This will assist the evaluation teams with identification of groupings proposed.

iv. Each volume should be divided (tabs, attachments, or similar method) to address the following criteria:

Understanding the Mission/Policies and Procedures

Relevant Past Performance

Key Personnel

Mobilization and Transition Plans

v. Proposals submitted for more than one grouping/functional area which are to be considered for "all or none" award shall be labeled Volume IV. Page limitations as stated in paragraph

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ix. apply. If an offer elects to submit an “all or none” proposal, in addition to Volumes I, II, and III, it shall supplement the information provided in “Volumes I, II, and III and shall outline efficiencies achieved through manpower cross-utilization, organizational design, etc. A separate section of the cost proposal shall also be provided (including a separately priced Section B) identifying the cost efficiencies.

vi. Offerors should use cross-references within their proposal and provide a clear, consistent reference system by section, paragraph, page, etc. A cross-reference index is optional and, if used, is excluded from the page limitation.

vii. Pages in each section should be capable of being easily removed and replaced (use 3-ring or similar binder) to facilitate page changes. Any pages that are changed should be of a different color, as indicated by the contracting officer, and have changed information clearly marked in the margin of the page.

viii. All charts, graphs, and matrices which are larger than one 8 1/2” X 11” page must be provided in fold-out format so that they are capable of being evaluated without removal from the proposal binder. The entire chart should be visible with the notebook open and the folded page fully extended. Each 8 1/2” X 11” measurement counts as one page.

ix. Printing should be one and one-half spaced with 10 pitch print (equivalent to 10 typed characters per inch) or a FONT size no smaller than 10 with at least a one-inch margin on both sides of the printed page; column format is optional. Pages should be numbered so that a total page count can be easily made within each section. Covers, tab dividers, title pages, table of contents, cross reference indices, past performance references and resumes (including section 1, the Executive Summary) will NOT be included in the page count. Pages in excess of the maximum will be removed from the proposals and returned to ensure that they are not evaluated. Page limitation: Volumes are limited to the following number of pages:

Volume I: Civil Engineering, to include	75 pages or less
Military Family Housing Maintenance	75 pages or less
Lodging & Linen Exchange	75 pages or less
Volume II: Supply Inventory Management & Fuels	150 pages or less
Volume III: Traffic Management & Vehicle Operation & Maintenance	125 pages or less

x. If the technical hours shown are different from the man-year/productive hours price, please indicate how the numbers in the technical proposal were derived.

xi. The proposal should address offeror’s past experience in Base Operating Support (BOS) services. The proposal shall contain identification of Government, and/or other service-related, contracts by number, technical point of contact (POC), and administrative contracting officer (include names, telephone numbers, and addresses). As a minimum, provide references for the last 3 years. Include any letter of appreciation you may have received. A questionnaire will be forwarded to referenced contractors by the contracting officer to validate past performance (see Section J, attachment #20).

e. Offerors must submit separate cost and technical proposals.

PART IV- REPRESENTATIONS AND INSTRUCTIONS
SECTION M
EVALUATION FACTORS FOR AWARD

M-72. 52.217-5 EVALUATION OF OPTIONS JUL 1990
(IAW FAR 17.208 (c)(1))

M-901. EVALUATION PROCEDURES

a. All proposals received will be subject to technical and price evaluation by a technical evaluation team and a contract evaluation team. A color code rating technique will be used to evaluate the technical portion for the purpose of selecting the offerors with whom negotiations may be conducted, if determined necessary, as well as for the final selection of the proposal most advantageous to the Government. The price proposal will not be given a color rating.

b. Technical proposals must be fully and clearly acceptable without additional explanation or information, since the Government may make a final determination as to whether a proposal is acceptable or unacceptable solely on the basis of the proposal as submitted. However, at the sole discretion of the Government, additional information may be requested from offerors of proposals which the Government considers reasonably susceptible of being made acceptable by additional information clarifying or supplementing but not basically changing any proposal as submitted, and for this purpose, the Government may discuss any such proposal with the offeror.

c. Uniformity of all proposals submitted is essential to assure fair and accurate evaluation. Therefore, in order to be acceptable, proposals must conform to all the terms and conditions of this request. Proposals which do not conform to the essential requirements expressed in the Request for Proposal may be considered unacceptable.

d. The price proposals will not be made available to technical evaluators. However, the contract evaluation team will discuss details of the technical proposals with the technical evaluators (and may generally discuss specific cost elements) to aid in their evaluation of costs associated with labor categories and hours, materials, and other elements of cost/price, as appropriate.

e. The services to be performed under any contract resulting from this solicitation are of a highly technical nature and are essential to successful performance of the Air Force mission. THEREFORE, TECHNICAL CAPABILITY IS MORE IMPORTANT THAN PRICE. THE LOWEST PRICED PROPOSAL MAY NOT NECESSARILY RECEIVE THE AWARD; LIKEWISE, THE HIGHEST TECHNICALLY RATED PROPOSAL MAY NOT NECESSARILY RECEIVE THE AWARD. FINAL SELECTION IS BASED ON THE PROPOSAL WHICH IS MOST ADVANTAGEOUS TO THE GOVERNMENT.

M-902. BASIS FOR AWARD

a. Awards for each performance work statement, or combinations of performance work statements, will be made on the basis of a combination of technical excellence and total price to that responsible offeror(s) submitting the offer(s) considered most advantageous to the Government in accordance with the evaluation criteria set forth in the Request for Proposal. Technical capability is more important than price.

b. If offers are received for each of the three performance work statements, the Government will determine, for each performance work statement, which offer would be most advantageous to the Government as stated above. The price of those three offers will be combined to determine the total

contract for multiple awards. The Government will then evaluate offers which include all three performance work statements and determine which of those offers would be most advantageous to the Government as stated above. If offers are also received for two of the performance work statements (e.g., Civil Engineering and Supply, but not Transportation), the Government will determine the most advantageous of these for each combination offered and add the price to the price of the most advantageous offer for the remaining single performance work statement. Finally, the Government will compare the most advantageous offer for all three performance work statements with the most advantageous combination of offers for each possible combination to determine whether a single award or multiple awards (and if multiple awards, which particular combination) is most advantageous to the Government. In making this final evaluation, the Government will make an integrated assessment of technical merit, total contract price, and the relative advantages and disadvantages of single versus multiple awards. Since technical excellence is more important than price, the lowest price will not necessarily receive the award.

M-903. EVALUATION CRITERIA

a. Technical. The offeror's proposal shall, as a minimum, address each of the following areas separately, as they apply to each performance work statement. Each evaluated area of each technical proposal will be assigned a color rating and have a narrative evaluation reflecting its strengths, weaknesses, and risks. All proposals will be evaluated using the following four specific criteria, listed in descending order of importance:

- (1) Understanding the Mission
 - (a) Manpower Utilization
 - (b) Policies and Procedures
- (2) Relevant Past Performance
- (3) Key Personnel
- (4) Mobilization and Transition Plans
 - (a) Mobilization
 - (b) Transition

1. Additionally, each technical evaluation area will be evaluated to assess proposal data compliance and soundness of approach. Soundness of approach is more important than proposal data compliance.

2. During the technical evaluation process, comparisons are made between manpower proposed in the technical proposal and manpower costed in the cost proposal (raw numbers only). The presentation of manpower in both proposals should be in a format to allow this comparison to be made easily. The purpose of this comparison is to ensure manpower presented to the technical team matches that presented in the cost proposal as to numbers and skill levels in each functional area of the organization proposed.

3. The factors and subfactors for each functional area are found in attachment #1 to this Section M. All factors and subfactors are listed in descending order of importance.

b. Price Evaluation Procedures. The purpose of cost (price) evaluation is to determine whether an offeror's proposed costs are realistic and complete in relation to the solicitation and the technical proposals, and to provide an assessment of the reasonableness of the proposed price. Cost/price will

not be given a color code. Review of contractor cost data will consist of analysis to determine the following:

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(1) Offers should be sufficiently detailed to demonstrate their cost realism, completeness, and reasonableness.

(2) Realism: Costs are compatible with proposed scope of effort and operations reflect reasonable economy and efficiency.

(3) Completeness: All information/data required by the RFP has been submitted, tracks to PWS requirements, and supports the offer.

(4) Reasonableness: Costs are fully justified and supported and are considered fair under current market conditions, reasonable to the offer, and reasonable to the Government.

(5) Risk: The degree of risk assumed by the offer through their pricing structure.

(6) Unrealistically low (or high) proposed costs or prices, initially or subsequently, may be grounds for eliminating a proposal from competition either on the basis that the offeror does not understand the requirement, or has made an unrealistic proposal.

CIVIL ENGINEERING

1. Civil Engineering Operations & Lodging Services: The contractor is required to provide all personnel, equipment, tools, materials, supervision and other items and services necessary to operate, service and maintain real property; furnish entomology services; facility maintenance with military family housing; infrastructure support with utilities; electrical systems; plant operations controls; logistics with material control, vehicle control and self-help; energy management control system operations; and lodging services including linen exchange.

1. Understanding the Mission

a. Manpower Utilization. Proposal should contain the offeror's proposed manpower staffing by shift and skill classification for each organizational element. Sufficient details, including computations, to support manpower requirements for each specified workload area (administration and Management, Customer Service, Logistics, Infrastructure Operation and Support, Preventive Maintenance, Self-Help, Quality control, and Training. In-Service Work Management, etc.) should be included with plans for personnel utilization (full-time, part-time, temporaries, cross-training). This plan must include all proposed manpower staffing for the basic period and all option years to include a completed manpower matrix (Appendix A&B). The proposal should also address the technical support staff available for this contract. Offer must indicate each staff member's function, skill level, location, and status (in-house, consultant, part-time, temporary, etc.). Qualifications must be clearly documented. Also include policies and procedures for covering absence of employees assigned to "one-deep" positions. Proposal should address the offeror's plan for a sound organizational structure with rationale for the proposed organization, and should clearly state/define functional responsibilities for each organizational element, including subcontractors, i.e., branch, workcenter, shop. Innovative approaches are encouraged and will be evaluated for efficiencies and manpower savings.

b. Policies and Procedures: Proposal should provide a thorough description of how the offeror intends to meet or exceed performance work statement requirements through establishment of realistic policies and procedures that will provide responsibility for all contract functions. ***Merely restating or parroting PWS provisions is not acceptable.*** Proposal should address plan for obtaining follow-on training and certification, especially for replacement personnel and in those areas specifically requiring skilled craftsmen. Proposal should address policies governing quality control, safety, and environmental programs. Innovative approaches are encouraged and will be evaluated for efficiencies and manpower savings.

2. Relevant Past Performance: This portion of the evaluation will consider the offeror's performance as a prime contractor and/or subcontractor and the performance of its key personnel in the following areas: 1) Quality - compliance with contractual requirements, accuracy of reports, retention of employees and key personnel, and training of personnel; 2) Timeliness - compliance with delivery and/or performance schedules,

responsiveness to technical direction; 3) Cost Control - maintaining costs within budget, submission of accurate and current invoices; 4) Business Relations - effective management and communications with customers and business associates, business-like concern for customer's interest, assistance and cooperation in problem solving; and 5) Customer Satisfaction - satisfaction of the end users with contractor's product and/or services. Those offerors having no relevant past performance as either a prime contractor, subcontractor, and its key personnel have no relevant experience will be given a neutral rating with a moderate risk factor.

3. Key Personnel: Proposal should address quality of offeror's executive and top supervisory personnel proposed for the function as verified by names, resumes and availability date for key management personnel from senior on-site manager through section superintendent level. Resumes should verify experience by dates and location where experience was obtained, and a signed letter indicating availability date. It should also contain release/retirement dates for key personnel on active duty as of date of proposal submission and evidence of a management team that has experience in large facility/utility system operation and maintenance.

4. Mobilization and Transition Plans

a. Mobilization Plan

(1) Recruitment Plan: Proposals should address a sound recruitment plan; analysis of the Columbus area for available services of professionals, technical and skilled workers and recruiting approach that will target the skill qualities required to perform the contract.

(2) Mobilization Staffing/Training/Certification Plan: Proposal should provide a mobilization plan that provides a sufficient number of skilled employees to assume responsibility for all facets of the Civil Engineering Operations.

(3) Equipment and Facility Transfer: Proposal should address the offeror's plan for transfer of Government equipment and facilities, as well as exceptions to adequacy of Government equipment and facilities.

b. Transition Plan. Proposal should address offeror's plan to phase in its workforce after mobilization and contract start date, in response to the changeover provisions found in the RFP and performance work statement Technical Exhibit 10.

SUPPLY

II. Supply: The contractor is required to provide all personnel, equipment, tools, materials, supervision and other items necessary to perform the base supply function under the USAF Standard Base Supply (SBSS) to include the existing Fuels Contract.

1. Understanding the Mission

a. Manpower Utilization. Proposal should contain the offeror's proposed manpower staffing by shift and skill classification for each organizational element of the basic period and all option years to include a completed manpower matrix (appendix C & D). Sufficient details, including computations, should be provided to support manpower requirements for each specified workload area including plans for personnel utilization (full-time, part-time, temporaries, cross-utilization). Proposal should contain substantiation for proposed manpower levels and rationale for proposed skill level mix for each element in assigned to "one-deep" positions. Proposal should address the offeror's plan for a sound organizational structure with rationale for the proposed organization, and should clearly state/define functional responsibilities for each organizational element, including subcontractors, i.e., branch, workcenter, shop. Innovative approaches are encouraged and will be evaluated for efficiencies and manpower savings.

b. Policies and Procedures: Proposal should provide a thorough description of how the offer intends to meet or exceed performance work statement requirements through establishment of realistic policies and procedures that will provide responsibility for all contract functions. ***Merely restating or parroting PWS provisions is not acceptable.*** Proposal should address policies governing quality control, safety, and environmental programs. Proposal should address the offeror's policies and procedures for replacement personnel training, annual, special certification, and cross-utilization training (CUT) beyond contract performance start date. Innovative approaches are encouraged and will be evaluated for efficiencies and manpower savings.

2. Relevant Past Performance: This portion of the evaluation will consider the offeror's performance as a prime contractor and/or subcontractor and the performance of its key personnel in the following areas: 1) Quality - compliance with contractual requirements, accuracy of reports, retention of employees and key personnel, and training of personnel; 2) Timeliness - compliance with delivery and/or performance schedules, responsiveness to technical direction; 3) Cost Control - maintaining costs within budget, submission of accurate and current invoices; 4) Business Relations - effective management and communications with customers and business associates, business-like concern Satisfaction - satisfaction with the end users with contractor's product and/or services. Those offerors having no relevant past performance as either a prime contractor,

subcontractor, and its key personnel have no relevant experience will be given a neutral rating with a moderate risk factor.

3. Key Personnel. Proposal should address quality of offeror's executive and top supervisory personnel proposed for the function as verified by names, resumes and availability date for key management personnel from senior on-site manager through branch/flight chief level. Also include resume for computer operations supervisor. Resumes should verify experience by dates, location where experience was obtained, and availability date. It should also contain release/retirement dates for key personnel on active duty as of date of proposal submission and evidence of a management team that has experience in supply. If none exists, so state.

4. Mobilization and Transition Plans

a. Mobilization Plan

(1) Recruitment Plan: Proposals should address a sound recruitment plan; analysis of the local and national area for available supply and fuels skills, and recruiting approach that will target the skill qualities required to perform the contract. The proposal should show the type of advertising expected to be used in recruiting needed individuals and in what population the recruiting will be held.

(2) Mobilization Staffing/Training/Certification Plan: Proposal should show: how the offeror plans to provide a sufficient number of trained, skilled employees by organizational element and skill classification to assume responsibility for all facets of supply when contract performance period commences.

(3) Equipment and Facility Transfer: Proposal should address the offeror's plan for transfer of Government equipment and facilities, as well as exceptions to adequacy of Government equipment and facilities.

b. Transition Plan. Proposal should address offeror's plan to phase in its workforce after contract start date, in response to the changeover provisions found in the RFP and performance work statement Technical Exhibit 8.

TRANSPORTATION

III. Transportation: The contractor is required to provide all personnel, equipment, tools, materials, supervision and other items necessary to perform transportation services to include Traffic Management (surface freight including packing and crating, outbound personal property, inbound personal property, passenger travel, quality control; counseling; non-temporary storage); Combat Readiness and resources (mobility and contingency operations); Vehicle Operations and Vehicle Maintenance.

1. Understanding the Mission

a. Manpower Utilization: Proposal should contain the offeror's proposed manpower staffing by skill classification for each organizational element for the basic period and all option years to include a completed manpower matrix (Appendix E & F). Sufficient details, including computation, should be provided to support manpower requirements for each specified workload area, including plans for personnel utilization (full-time, part-time, temporaries, cross-utilization). Proposal should contain substantiation for proposed manpower levels and rationale for proposed skill level mix for each element in the organization. Include policies and procedures for covering the absences of employees assigned to "one-deep" positions. Proposal should address the offeror's plan for a sound organizational structure with rationale for the proposed organization, and should clearly state/define functional responsibilities for each organizational element, including subcontractors, i.e., branch, workcenter, shop. Innovative approaches are encouraged and will be evaluated for efficiencies and manpower savings.

b. Policies and Procedures: Proposal should provide a thorough description of how the offer intends to meet or exceed performance work statement requirements through establishment of realistic policies and procedures that will provide through establishment of realistic policies and procedures that will provide responsibilities for each organizational element. ***Merely restating or parroting PWS provisions is not acceptable*** Offeror's detailed interface (specifically Quality Assurance Evaluator (QAE)/Functional Area Chief (FAC)/ Administrative Contracting Officer (ACO), should be included. Other requirements include: A plan for preventing demurrage/detention charges for detaining commercial carrier equipment. A plan for providing mobility training for all organizations with a deployment commitment and a plan for supporting all transportation mobility tasks; and a plan for ensuring vehicles should address the offeror's policies and procedures in detail for training to include initial, annual, special certification, and cross-utilization training (CUT) beyond contract performance start date. Additionally, the proposal should address employee skill areas requiring training/certification/CUT, the frequency of training, and how training/certification/CUT will administered to include verification process. Proposal should address policies governing quality control, safety, and environmental programs. Innovative approaches are encouraged and will be evaluated for efficiencies and manpower savings.

2. Relevant Past Performance: This portion of the evaluation will consider the offeror's performance as a prime contractor and/or subcontractor and the performance of its key personnel in the following areas:

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ATTACHMENT # 1
Page 5 of 6

SOLICITATION NUMBER

1) Quality - compliance with contractual requirements, accuracy of reports, retention of employees and key personnel, and training of personnel; 2) Timeliness - compliance with delivery and/or performance schedules, responsiveness to technical direction; 3) Cost Control - maintaining costs within budget, submission of accurate and current invoices; 4) Business Relations - effective management and communications with customers and business associates, business-like concern for customer's interest, assistance and cooperation in problem solving; and 5) Customer Satisfaction - satisfaction of the end users with contractor's product and/or services. Those offerors having no relevant past performance as either a prime contractor, subcontractor, and its key personnel have no relevant experience will be given a neutral rating with a moderate risk factor.

3. Key Personnel. Proposal should address quality of offeror's executive and top supervisory personnel proposed for the function as verified by names, resumes and availability date for key management personnel from senior on-site manager through section superintendent level. Resumes should verify experience by dates and location where experience was obtained, and availability date. It should also contain release/retirement dates for key personnel on active duty as of date of proposal submission and evidence of a management team that has experience in transportation functional areas. If none exists, so state.

4. Mobilization and Transition Plans

a. Mobilization Plan

(1) Recruitment Plan: Proposal should address a sound recruitment plan, an analysis of the local and national areas for available traffic management, mobility/contingency operations, vehicle operations and vehicle maintenance skill qualities and quantities to perform the contract.

(2) Mobilization Staffing/Training/Certification Plan: Proposal should provide a plan that provides, by organizational element and skill classification, a sufficient number of trained, skilled (fully qualified) employees to assume responsibility for all facets of transportation when contract performance period commences. It should also include the type and length of training, by skill classification, and how training certification will be accomplished to ensure a sufficient number of trained personnel to accomplish PWS requirements. (3) Equipment and Facility Transfer. Proposal should address the offeror's plan for transfer of government equipment and facilities, as well as exceptions to adequacy of Government furnished equipment and facilities. Offer should also address contractor provided vehicles and equipment.

b. Transition Plan. Proposal should address offeror's plan to phase in its workforce after contract start date, in response to the changeover provisions found in the RFP and performance work statement, Technical Exhibit 6.

ATTACHMENT #1

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Appendix 5 Cooperative Administrative Support Program CASU Site Contacts

Location:	Phone:	Lead Agency
Anchorage	907-271-5391	*FAA
Atlanta	404-331-4440	*FEB
Austin	512-236-6073	*VA
Baltimore	410-962-2283	*IRS
Billings	406-247-7763	*BOR
Boise	208-378-5175	*BOR
Charleston	803-760-5403	*FEA
Chicago	312-886-9358	IRS
Cincinnati	513-684-6764	IRS
Cleveland	513-684-6764	IRS
Columbus	614-692-5017	*DLA
Denver	303-497-6947	DOC
Fairfax County	703-324-3863	Local
Fargo/Grand Forks	701-241-6110	*FEA
Frederickburg	703-891-3151	Local
Fresno	209-454-7145	IRS
Ft. Collins	303-498-1815	*FEB
Ft. Worth	817-334-3131	USACE
Greater Hampton Roads	804-444-7390	Navy
Hagerstown	301-714-4731	Local
Houston	713-942-6837	*Customs
Indianapolis	317-290-3104	*FEA
Jackson	601-965-5301	VA
Kansas City-12th	816-426-3501	GSA
Kansas City-So.	816-926-7222	GSA
Laguna Nigel	714-643-4444	IRS
Las Vegas	213-894-2891	IRS
Los Angeles	213-894-2891	IRS
Miami	305-982-5002	*FEB
Milwaukee	414-297-3384	*IRS
New Orleans	504-255-5420	VA
New York (Javits)	212-264-2278	HHS
New York (Varick)	212-337-2590	DOL
Oklahoma City	405-231-4167	*FEB
Omaha	402-221-3241	USACE
Panama City	904-234-4870	Navy
Phoenix	213-894-2891	*IRS
Pittsburgh	412-644-2605	USACE
Portland	503-326-3010	*FEB
Sacramento	206-220-5090	*FEA
San Antonio	210-805-2413	*FEB
San Diego	213-894-2891	*IRS
San Francisco	415-744-6695	*BAFAC
Seattle	206-220-6129	VA
Spokane	509-353-3142	BPA
St. Louis	314-539-6015	USACE
Temple/WACO	817-771-1454	*USDA

Twin Cities	612-290-4010	*FEB
Washington D.C.	202-273-4667	*GSA
Winchester	703-665-3961	*USACE

* = Sites consist of multiple lead agencies. Listed agency represents the principal lead

= Bay Area Federal Administrative Course

Appendix 6 Cost Comparison Exemptions for Blind and Other Severely Handicapped

PENTAGON
OPERATIONS DIRECTORATE

ROUTINE ZYUW RUEAHQA4971 1491934
R 291330Z MAY 90
FM HQ USAF WASHINGTON DC//PRMX//
TO AIG 9509
INFO AIG 9418

UNCLAS

SUBJ: EXEMPTION FROM COST COMPARISON PROCEDURES FOR PURCHASE OF PRODUCTS AND SERVICES OF THE BLIND AND OTHER SEVERELY HANDICAPPED (OUR 151940Z MAY 90)

1. THERE HAS BEEN SOME CONCERN VOICED O WHAT ROLE THE BASE MANAGEMENT ENGINEERING TEAM (MET) SHOULD HAVE IN A PROCUREMENT THAT COMES UNDER THE AUSPICES OF PL 101-189

(REF MSG). UNDER THE PROVISIONS OF THIS LAW, AN AWARD TO A NATIONAL INDUSTRIES FOR THE SEVERELY HANDICAPPED (NISH)/NATIONAL INDUSTRIES FOR THE BLIND (NIB) WORKSHOP MUST BE MADE IF THE CONTRACTING OFFICER (CO) HAS NEGOTIATED A FAIR AND REASONABLE PRICE WHICH IS AGREED UPON BY THE NISH/NIB PRESIDENTIAL COMMITTEE REGARDLESS OF THE COST OF PERFORMING THAT FUNCTION IN HOUSE. THE KEY TO THE LEGISLATION IS NOT THAT NISH/NIB HAVE CARTE BLANCHE AUTHORITY FOR ANY COMMITTEE APPROVED FUNCTION BUT THAT THE CO NEGOTIATES A FAIR AND REASONABLE PRICE WHICH IS THAN AGREED UPON BY THE COMMITTEE. THE ONLY WAY THE CO CAN BE ASSURED THAT HE/SHE IS GETTING A FAIR AND REASONABLE PRICE IS FOR THE MET TO PROVIDE AND ESTIMATE (NOT A FULL BLOWN COST COMPARISON OR "MEO") OF WHAT AN IN-HOUSE MANPOWER COST MIGHT BE. FOR EXAMPLE, TAKING SIMILAR FUNCTIONS AT OTHER LOCATIONS OR PREVIOUSLY COMPLETED STUDIES, THAT MET COULD GIVE THE CO A REASONABLE ESTIMATE OF COSTS OF SEVERAL SIMILARLY-SIZED FUNCTIONS.

2. AF/PRMX POINT OF CONTACT IS MS ANNIE MCRAE, AV 225-7076. BT

*****MESSAGE PREPARATION HINT*****
WHEN USING THE UNCLAS "EFTO" DESIGNATION ON A MSG, "EFTO" MUST BE SPACED OUT ON THE CLASSIFICATION LINE OF THE TEXT

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